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BILL ANALYSIS



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House Bill 5566 (Substitute H-2 as passed by the House)
Sponsor: Representative Robert Jones
House Committee: Commerce
Senate Committee: Commerce and Tourism

Date Completed: 11-8-10

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to include in "eligible activities" assistance to a qualified local governmental unit or a brownfield authority in clearing or quieting title to, or conveying, property owned or under the control of a qualified local unit or authority, and the acquisition of property by a qualified local unit or authority for economic development purposes. The bill also would prohibit the use of tax increment revenue captured from school operating taxes for those eligible activities.

The Act allows municipalities (cities, villages, townships, and counties) to establish brownfield redevelopment zones and brownfield redevelopment zone authorities, which may implement brownfield plans for the redevelopment of commercial or industrial property. The Act specifies financing sources for authority activities, including the capture of tax increment revenue (that is, revenue from the incremental increase in property values within a zone). The revenue may be used to pay the costs of eligible activities on eligible property within a zone.

For eligible activities on eligible property that was or is used for commercial, industrial, or residential purposes that is in a qualified local governmental unit, that is owned or under the control of a land bank fast track authority, or that is located in an economic opportunity zone, and is a facility, functionally obsolete, or blighted, the term "eligible activities" includes the following:

- Infrastructure improvements that directly benefit eligible property.
- Demolition of structures that is not response activity under Section 20101 of the Natural Resources and Environmental Protection Act (NREPA).
- Lead or asbestos abatement.
- Site preparation that is not response activity under Section 20101 of NREPA.
- Assistance to a land bank fast track authority in clearing or quieting title to, or selling or otherwise conveying, property owned or under the control of a land bank fast track authority or the acquisition of property by the authority for economic development purposes.

The bill would add to that list assistance to a qualified local governmental unit or brownfield authority in clearing or quieting title to, or selling or otherwise conveying, property owned or under the control of a qualified local governmental unit or brownfield authority. The bill also would include the acquisition of property by a qualified local governmental unit or

brownfield authority if the acquisition were for economic development purposes. Tax increment revenue captured from taxes levied for school operating purposes could not be used for those eligible activities.

("Qualified local governmental unit" means that term as defined under the Obsolete Property Rehabilitation Act.)

MCL 125.2652 & 125.2663

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State School Aid Fund and local unit revenue by an unknown amount, depending upon the specific characteristics of the projects affected by the bill. By expanding the definition of "eligible activities", the bill would increase the amount of taxes subject to capture. The broadened definition also could increase the duration of any revenue capture.

As of January 2010, there were 281 brownfield redevelopment authorities. The Department of Treasury estimated that approximately \$310.0 million in State and local property tax revenue would be captured under the law during FY 2009-10 by all authorities using tax increment capture (downtown development authorities, local development finance authorities, tax increment finance authorities, and brownfield redevelopment authorities). The portion of that amount attributable to brownfield projects is unknown. A 2006 report from the Department of Environmental Quality estimated approximately \$2.6 million in captured State Education Tax revenue and \$6.6 million in captured local school operating property tax revenue, up from \$2.1 million and \$5.2 million, respectively, in 2005.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.