

Legislative Analysis



NEXT MICHIGAN DEVELOPMENT CORPORATION: PREFERENCE FOR SPECIFIED COUNTIES

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House Bill 4782

Sponsor: Rep. John Kivela

Committee: Commerce

(Enrolled as PA 239 of 2013)

Senate Bill 397

Sponsor: Sen. Tom Casperson

Senate Committee: Economic Development

House Committee: Commerce

(Enrolled as PA 238 of 2013)

Complete to 10-8-13

A SUMMARY OF HOUSE BILL 4782 AS INTRODUCED 5-29-13 & SENATE BILL 397 AS PASSED BY THE SENATE 9-26-13

Senate Bill 397 would amend the Next Michigan Development Act to allow the board of the Michigan Strategic Fund to designate a sixth Next Michigan Development Corporation. (Currently, only five such corporations can be designated.)

House Bill 4782 (which parallels Senate Bill 398) would amend the same act to specify that the Michigan Strategic Fund, when determining whether to designate a Next Michigan Development Corporation, must give preference to an "eligible Act 7 entity" made up of at least two contiguous counties that combined have a population of more than 103,000 but less than 106,000 (at the 2010 census) and where the population of the largest city of one of the counties, when combined with the largest city of the other county, is more than 32,500 but less than 35,500. (This would apply to Marquette and Delta Counties and the cities of Marquette and Escanaba.)

An "Act 7 entity" is a reference to an entity formed under the Urban Cooperation Act (Public Act 7 of 1967, extra session).

BACKGROUND INFORMATION:

The Next Michigan Development Act, part of the "Aerotropolis" legislation of 2010, provided for the creation of up to five Next Michigan Development Corporations, which have as their purpose encouraging economic development and investment, job creation and job retention, and ancillary economic growth. The corporations are to be designated by the Michigan Strategic Fund. These development corporations, generally speaking, can employ real and personal property tax abatements, tax increment financing plans, and renaissance zones.

This new kind of corporation requires an interlocal agreement between two or more local units of government, at least one of which must be a county, for the purpose of jointly

exercising economic development powers and attracting "eligible Next Michigan businesses." (These businesses must be related to "multimodal commerce," meaning the movement of products or services via two or more of the following: air, road, rail, or water.)

Interlocal agreements are authorized under the Urban Cooperation Act of 1967. Counties, cities, villages, townships, and charter townships are eligible to participate. Participating communities must form an "eligible act 7 entity" using the Urban Cooperation Act. However, an "eligible urban entity" can also be designated as a development corporation; an interlocal agreement is not needed in that case. (The term "eligible urban entity" refers to a city of 100,000 or more that is the largest city in a metropolitan statistical area.)

The term "eligible Next Michigan business" is found in the Michigan Economic Growth Act and refers to a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce; a manufacturing or assembly facility receiving a majority of its production components via multimodal commerce; a manufacturing or assembly facility shipping a majority of products via multimodal commerce; or a light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce.

There are five Next Michigan Development Corporations already designated:

- The Detroit Region Aerotropolis Development Corporation (Wayne and Washtenaw Counties and seven local communities surrounding Detroit Metropolitan/Wayne County and Willow Run Airports).
- The I-69 International Trade Corridor (St. Clair, Lapeer, Genesee, and Shiawassee Counties).
- The Grand Traverse Corporation (Grand Traverse County, City of Traverse City, Garfield Charter Township, East Bay Charter Township, and Blair Township).
- The Western Michigan Economic Partnership (Grand Rapids, Kentwood, Muskegon, Wyoming, Cascade Township, and Kent and Muskegon Townships).
- Port Lansing (City of Lansing and Dewitt Township).

For additional information about Next Michigan development corporations, see the analysis of the original legislation from the House Fiscal Agency, at:

www.legislature.mi.gov/documents/2009-2010/billanalysis/House/pdf/2009-HLA-5346-6.pdf

and the fact sheet from the Michigan Economic Development Corporation (MEDC) at:

www.michiganbusiness.org/cm/Files/Fact-Sheets/NextMichiganDevelopmentAct.pdf

FISCAL IMPACT:

As noted above, Next Michigan Development Corporations, generally speaking, can employ real and personal property tax abatements, tax increment financing plans, and renaissance zones in their economic development efforts. As written, the bills would

initially reduce state and local revenues by an unknown amount. The medium and long term fiscal impacts of the bills depend on the change in economic activity and the taxes associated with the economic activity. Lost local school revenue would increase spending from the School Aid Fund.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.