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SFA



BILL ANALYSIS

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Senate Bill 1251 (as enrolled)
Sponsor: Senator Bill Schuette
Senate Committee: Farming, Agribusiness and Food Systems
House Committee: Agriculture and Resource Management

PUBLIC ACT 259 of 2000

Date Completed: 1-18-01

CONTENT

The bill amended the Michigan Renaissance Zone Act to do the following:

- **Permit the State Administrative Board, until December 31, 2002, to designate up to 10 additional renaissance zones for agricultural processing facilities**
- **Delete a provision that prohibited a qualified local governmental unit from being part of more than one renaissance zone**
- **Delete the Act's approval requirements for a business located in a qualified local governmental unit that relocates into a renaissance zone within the local unit.**
- **Delete the notice and approval requirements that applied to a business relocating more than 25 jobs to a renaissance zone.**
- **Allow recently authorized renaissance zones to designate subzones, seek extension of zone status, and modify zone boundaries.**

The Administrative Board may revoke the designation of all or a portion of a renaissance zone for an agricultural processing facility if it determines that the facility fails to begin operation or ceases operation in a renaissance zone designated under the bill.

Relocation Approvals

Previously, a business located in a qualified local governmental unit that relocated from outside a renaissance zone into a renaissance zone in the same qualified local governmental unit could not receive the tax exemptions, deductions, or credits allowed under the Act unless the governing body of the qualified local governmental unit in which the renaissance zone was located approved the relocation of the business. ("Qualified local governmental unit" means either a county; or a city, village, or township that contains an eligible distressed area as defined in the State Housing Development Authority Act.)

Agricultural Processing Facilities

Under the bill, upon the recommendation of the Michigan Strategic Fund Board, the State Administrative Board may designate up to 10 additional renaissance zones for agricultural processing facilities within the State in one or more cities, villages, or townships, if the city, village, or township or combination of these local governmental units consents to the creation of a renaissance zone for an agricultural processing facility within its boundaries. (The bill defines "agricultural processing facility" as one or more facilities or operations that transform package, sort, or grade livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use, and surrounding property.)

Unless approval of the relocation was obtained, if a business relocated more than 25 full-time equivalent jobs to a renaissance zone, the business had to give notice of the relocation to the Michigan Strategic Fund and the local governmental unit (city, village, or township) from which the jobs were being relocated. The business was not eligible for the tax exemptions, deductions, or credits listed under the Act if the local government from which the jobs were being relocated adopted a resolution objecting to the job relocation within 60 days after being notified by the business. The business became eligible for the exemptions, deductions, and credits when the local governmental unit that objected to the relocation rescinded its objection by resolution.

The bill deleted all of these provisions.

Each renaissance zone designated for an agricultural processing facility under the bill must be one continuous distinct geographic area.

Subzones/Zone Duration & Boundaries

Section 8 of the original Act permitted the

Administrative Board to designate up to nine renaissance zones within the State, with up to six in urban areas and four in rural areas, as well as additional zones in qualified local governmental units containing a closed military installation. In addition, Section 8a of the Act (which was added by Public Act 98 of 1999) permits the Administrative Board to designate up to nine additional renaissance zones in urban and rural areas, and additional zones in qualified local units containing a U.S. military installation that closed after 1990. Section 8a also permits the Michigan Strategic Fund Board to designate up to five additional renaissance zones in one or more cities, villages, or townships that consent to the creation of a zone within their boundaries. The bill increased from four to five the maximum number of additional zones that the Administrative Board may designate in rural areas. The bill also allows the designation of a zone in a qualified local governmental unit that contains a U.S. military installation that closed in 1977.

As a rule, a renaissance zone may not contain more than 10 distinct geographic areas (commonly known as subzones). Through December 31, 2002, a qualified local governmental unit in which a renaissance zone was designated under Section 8 may designate up to 10 additional subzones, with the Administrative Board's approval; may seek to extend the duration of its renaissance zone status until 2017; and may modify the boundaries of the zone to include contiguous parcels of property, with approval of the Renaissance Zone Review Board. Under the bill, these provisions also apply to the renaissance zones designated under Section 8a.

Application Criteria

Previously, the Administrative Board had to consider certain criteria in designating a renaissance zone, including whether the development plan is creative and innovative in comparison to other applications. The bill retains this provision but deleted "in comparison to other applications". In addition, the bill requires that the Administrative Board give priority to applications that include new business activity.

MCL 125.2683 et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The two major changes in this bill are to create new renaissance zones and to eliminate restrictions designed to prevent businesses from simply moving their existing operations into a renaissance zone and benefitting from the tax exemptions. It is not possible to estimate the fiscal impact of either of these changes at this time because, 1) it is not known

where the additional renaissance zones will be located or the size of the agricultural processing facilities that will be developed in each of these zones, and 2) there is no way to estimate how many businesses will move their existing operations into a renaissance to become eligible for the various tax exemptions granted in these zones.

Fiscal Analyst: J. Wortley

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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.