

Legislative Analysis



NEXT MICHIGAN DEVELOPMENT CORPORATIONS & MULTIMODAL COMMERCE: (OR "AEROTROPOLIS")

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House Bill 5346 (Substitute H-1)
Sponsor: Rep. Douglas Geiss

House Bill 5349 (Substitute H-1)
Sponsor: Rep. John Walsh

House Bill 5347 (Substitute H-1)
Sponsor: Rep. Pam Byrnes

House Bill 5350 (Substitute H-1)
Sponsor: Rep. Marc Corriveau

House Bill 5348 (Substitute H-1)
Sponsor: Rep. Andrew Kandrevas

House Bill 5351 (Substitute H-2)
Sponsor: Rep. Bert Johnson

Committee: Transportation
Complete to 12-10-09

A BRIEF SUMMARY OF HOUSE BILLS 5346-5351 AS REPORTED FROM COMMITTEE

These bills are part of a package of bills that have come to be known as the "Aerotropolis" legislation because nine municipalities in Wayne and Washtenaw Counties near Detroit Metro Airport have already entered into an interlocal agreement that would allow them to make use of the proposal, once enacted, to employ a variety of incentives in order to stimulate economic development close to the airport. These incentives include business tax credits, real and personal property tax abatements, tax increment finance plans, and renaissance zones. The package of bills does not use the term "Aerotropolis," and the language of the proposed legislation is not specific to Detroit Metro Airport (or even to airport-related development). However, the supporters of the Aerotropolis Development Corporation formed by the two counties and seven local units within those counties are the principal proponents of the legislation.

NEXT MICHIGAN DEVELOPMENT LEGISLATION

House Bill 5346 would provide for the creation of up to five *Next Michigan Development Corporations*, which would have as their purpose encouraging economic development and investment, job creation and job retention, and ancillary economic growth. The corporations would be designated by the Michigan Strategic Fund. The bill creates a new act, *the Next Michigan Development Act*.

This new kind of corporation would require an interlocal agreement between two or more local units of government, at least one of which must be a county or an "eligible urban entity," for the purpose of jointly exercising economic development powers and attracting eligible businesses and "eligible next Michigan businesses." Interlocal agreements are authorized under the Urban Cooperation Act of 1967. Counties, cities, villages, townships, and charter townships would be eligible to participate. (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 terms "eligible business" and "eligible Next Michigan business" would be taken from Section 3 of the Michigan Economic Growth Authority Act, as amended by **House Bill 5351**.

In **House Bill 5351**, the term *eligible Next Michigan business* would refer 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.

Multimodal commerce would be defined to mean the movement of products or services via two or more of the following: air, road, rail, or water.

House Bills 5347-5350 would each amend a separate act to allow these new development corporations, generally speaking, to employ real and personal property tax abatements, tax increment financing plans, and renaissance zones in the way that other local units of government currently can. **House Bill 5351** would provide for Michigan business tax credits.

THE BILLS

House Bill 5346 (Next Michigan Development Act)

To have an entity designated as a development corporation, participating communities would submit an application to the board of the Michigan Strategic Fund. The application must include the interlocal agreement forming the entity along with the approval of the agreement by the Governor (as required by the Urban Cooperation Act).

The MSF board would grant or deny designation based on the following criteria:

- (1) The nominal level of unemployed workers within a county's participating units.
- (2) The number of local units that are party to the interlocal agreement.
- (3) Whether the application demonstrates evidence of significant job creation potential of a regional or state asset, enterprise, facility, or obsolete facility, as documented by a comprehensive business plan and a third-party study quantifying the job creation potential and the degree of job creation potential.
- (4) Whether the application is supported by public and private commitment and the degree of the commitment.
- (5) The extent to which the interlocal agreement creates the possibility of streamlined permitting.

The role of a Next Michigan Development Corporation would be to seek to attract eligible businesses or eligible Next Michigan businesses to its district, and in doing so, it could exercise all of the powers, privileges, and responsibilities granted under state law, including the Renaissance Zone Act, the Local Development Financing Act, and Section 9f of the

General Property Tax Act (which allows the exemption of new personal property of an eligible business).

The corporation would be subject to the Open Meetings Act and the Freedom of Information Act. However, certain financial and proprietary information of businesses could remain confidential.

The Michigan Economic Development Corporation would be required to market these new development corporations.

House Bill 5347 (Tax Increment Financing & Smart Zones)

The bill would amend the Local Development Financing Act. The bill would allow a Next Michigan Corporation to use tax increment financing under this act after adopting a development plan. The eligible businesses would be designated in the development plan. The executive committee of the corporation would act as the board of the LDFA created by the corporation. Each corporation could create one LDFA.

The act currently allows cities, villages, and urban townships to capture the growth in property taxes (tax increments) within a specified area to fund activities and infrastructure benefiting certain specified kinds of firms. (This is the act that also provides for the creation of certified technology parks or Smart Zones.) The bill extends this authority to the new Next Michigan Corporations. Under certain circumstances, a new LDFA created by a corporation could absorb an existing Smart Zone that lies within its territory, with the approval of the municipality that created that Smart Zone. The bill also would allow for the capture of state and local school revenues (in addition to other property tax revenues) for up to 15 years to fund up to 50 percent of the cost of public facilities related to or for the benefit of eligible property in a Next Michigan Development Area, with the approval of the State Treasurer.

Taxing jurisdictions not party to the intergovernmental agreement that created the corporation could exempt their taxes from capture.

House Bill 5348 (PA 198 Abatements)

The bill would allow a Next Michigan Corporation to grant PA 198 property tax abatements under the Plant Rehabilitation and Industrial Development Districts Act (commonly referred to as PA 198). That act allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. For a rehabilitated facility, the tax is based on the value of property prior to renovation. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly.

Under the bill, a Next Michigan Corporation would act as the local unit of government in establishing and operating a plant rehabilitation district or industrial development district. Only property used in the operation of an eligible Next Michigan business would be eligible for an abatement. A corporation could not establish a district or approve an exemption

without the prior written approval of the State Treasurer and the president of the Michigan Strategic Fund; in making their decisions, those officials would be required to consider the number of jobs and the amount of the wages for those jobs, as well as whether:

- The facility had the ability to be located outside of Michigan.
- The facility being located in Michigan would be a net benefit for the state.
- The operation of the facility would have a negative effect on employment in other areas of Michigan.
- The facility would likely locate in Michigan without the incentive.
- The use of the incentive put other portions of Michigan at an unfair competitive disadvantage.

House Bill 5349 (Renaissance Zones)

The bill would amend the Michigan Renaissance Zone Act to allow the board of the Michigan Strategic Fund to designate Next Michigan Renaissance Zones within a development district. Renaissance zones are typically described as granting virtually tax-free status to the businesses or residents in them. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes. The MSF could designate up to 12 zones per development district, with the actual number determined by the number of parties entering into the interlocal agreement forming the corporation. A zone would have a duration of not less than five years or more than ten years. The Strategic Fund would determine which businesses were to be eligible for Renaissance Zone benefits based on recommendations from a Next Michigan development corporation.

House Bill 5350 (Personal Property Tax Abatements)

The bill would amend Section 9f of the General Property Tax Act. That section allows certain local units to exempt new personal property owned or leased by eligible businesses. The exemption requires the concurrence of the State Tax Commission and the president of the Michigan Strategic Fund. The bill would allow Next Michigan corporations to use these exemptions and uses the same criteria as found in House Bill 5348 for PA 198 abatements.

House Bill 5351 (MEGA -- Multimodal Commerce)

As introduced, the bill would amend the Michigan Economic Growth Authority Act, under which eligible businesses can claim Michigan business tax (MBT) credits. It also contains definitions of "eligible Next Michigan business" and "eligible business" as described earlier.

FISCAL IMPACT:

The fiscal impact of this package depends on the change in economic activity and the taxes associated with the economic activity.

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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.