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BILL ANALYSIS



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Senate Bill 271 (as enacted)  
Sponsor: Senator Virgil Smith  
Senate Committee: Economic Development  
House Committee: Commerce

**PUBLIC ACT 506 of 2014**

Date Completed: 1-27-15

**CONTENT**

**The bill amended Chapter 8C (Community Revitalization Program) of the Michigan Strategic Fund Act to do the following:**

- Increase the maximum amount of a community revitalization grant from \$1.0 million to \$1.5 million.
- Allow the Michigan Strategic Fund (MSF) board to approve up to \$10.0 million for community revitalization loans or grants for three single projects for the specific purpose of historic preservation.
- Include in the definition of "eligible property" any other property determined by the board, if development of the property will promote community revitalization consistent with the Act's findings and declarations.
- Delete requirements for the MSF to report to the Legislature and provide certain legislators with copies of board meeting materials.
- Specify legislative findings regarding the purposes of the Community Revitalization Program.

**The bill also amended Chapter 8A (21st Century Investment Programs and Activities) of the Act to do the following with respect to the Business Development Program:**

- Allow a qualified business to include more than one business.
- Delete a requirement that the MSF establish policies and procedures for background checks on qualified businesses applying for assistance.
- Delete a requirement that the MSF report annually to the Legislature.

The bill took effect on January 14, 2015.

Community Revitalization Grants

Chapter 8C requires the MSF to create and operate the Michigan Community Revitalization Program to provide community revitalization incentives for eligible investments on eligible property in Michigan. Community revitalization incentives include grants, loans, and other economic assistance.

"Eligible property" means property that is one or more of the following:

- A facility, as defined in the Brownfield Redevelopment Financing Act.
- A historic resource.
- Blighted property.
- Functionally obsolete property.
- A parcel that is adjacent or contiguous to any of those types of property if the development of the parcel is estimated to increase the taxable value of the other property.

Under the bill, eligible property also includes any other property as determined by the MSF board, if development of the property will promote community revitalization consistent with the findings and declarations in Section 90 (described below).

In addition, the bill amended the definition of "historic resource". Previously, the term meant a publicly or privately owned historic building or structure located within a designated historic district. The bill refers, instead, to a publicly or privately owned historic building, structure, site, object, feature, or open space either natural or manmade, individually listed or located within and contributing to a designated historic district.

(Section 90 states, "The legislature finds and declares that any activity under this chapter to promote community revitalization will accelerate private investment in areas of historical disinvestment, contribute to Michigan's reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state and is a public purpose and of paramount concern in the interest of the health, safety, and general welfare of the citizens of this state. It is the intent of the legislature that the economic benefits resulting from this chapter occur substantially within this state.")

The Act requires the MSF to review all applications for community revitalization incentives. The Fund also must consider specific criteria to the extent reasonably applicable to the type of project proposed. The bill refers to the applicability of the criteria as reasonably determined by the MSF board or its designee.

Under the bill, the criteria include the extent of reuse of historic resources. Previously, the Act referred to historic buildings rather than resources. The criteria also include whether the rehabilitation of the historic resource will meet nationally recognized Federal standards that guide work undertaken on historic resources. The bill refers to these standards when applied after discussions with the State Historic Preservation Office.

The amount of community revitalization incentives that the MSF board may approve for a single project may not exceed 25% of a project's eligible investment up to \$10.0 million. A community revitalization loan may not exceed \$10.0 million and, under the bill, a community revitalization grant may not exceed \$1.5 million; however, a combination of loans, grants, and other economic assistance under Chapter 8C may not exceed \$10.0 million per project. Previously, the maximum grant amount was \$1.0 million.

The board may not approve \$10.0 million per project in incentives to more than three projects per fiscal year, and must approve at least five projects of \$1.0 million or less per project each fiscal year (unless fewer than five projects warrant an award of \$1.0 million or less). Under the bill, notwithstanding any other prescribed limit, of the approved community revitalization projects, the board may approve up to three single projects each year that do not exceed 50% of a project's eligible investment up to \$10.0 million for loans and grants for the specific purpose of historic preservation.

The bill states, "The legislature finds and declares that funding authorized under this section [Section 90b, which creates the Michigan Community Revitalization Program] is intended to encourage diversification of the economy, to encourage capital investment in this state, to promote the creation of qualified new jobs in this state, and to promote the investment in brownfield and historic preservation projects that reclaim previously used property that is less likely to be revitalized without the investment".

Under the Act, upon satisfying a milestone established in a written agreement for which the MSF board has approved a community revitalization grant or loan, the applicant may apply to the MSF for a grant or loan disbursement as specified in the written agreement. Within 90 days after receiving an application for disbursement, the MSF (or its designee, under the bill) must determine whether the project is in compliance with the terms of the agreement and, if applicable, with Federal standards for rehabilitating historic buildings. If the MSF or its

designee determines that the project is in compliance, the Fund must issue the grant or loan proceeds to the applicant or assignee. With regard to compliance with the Federal standards, the bill refers to a project that is determined to be in compliance or will be in compliance when completed, and requires the MSF or its designee to make this determination after engaging in discussions with the State Historic Preservation Officer.

Previously, the Act required the MSF to report annually to each house of the Legislature on the activities of the Fund under Chapter 8C in the previous fiscal year. The report had to include information detailed in the Act. The bill deleted this reporting requirement.

The Act also required the MSF, on a monthly basis, to give exact copies of all information that is provided to board members for their monthly meetings, to the chairperson and minority vice chairperson of the House Commerce Committee, the Senate Economic Development Committee, and the House and Senate Appropriations subcommittees on general government. The bill deleted this requirement.

### Business Development Program

Section 88r, in Chapter 8A, requires the MSF to create and operate the Michigan Business Development Program to provide grants, loans, and other economic incentives to qualified businesses that make qualified investments or provide qualified new jobs in Michigan.

"Qualified business" means a business that is located or operates in this State or will locate or will operate in the State as determined by the MSF. Under the bill, a qualified business may include more than one business as determined by the board.

Previously, the Act required the MSF to establish policies and procedures to conduct background checks on each qualified business applying for a grant, loan, or other economic assistance under Section 88r. The bill deleted this requirement.

The Act also required the MSF to report annually to each house of the Legislature on the activities of the Fund under Section 88r in the previous fiscal year. The report had to include information detailed in the Act. The bill deleted this reporting requirement.

MCL 125.2088r et al.

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

The bill will reduce the administrative costs of the Michigan Strategic Fund by a minimal amount by eliminating requirements for background checks of applicants for the Michigan Business Development Program and the detailed reporting on the outcomes of that Program and the Community Revitalization Program. Current MSF policies address the vetting of projects and applicants. The reduction in reporting specific information on outcomes might reduce the ability to evaluate the impact of the programs; however, House Bill 4480 (Public Act 503 of 2014) contains consolidated and revised reporting requirements for MSF programs. Michigan Strategic Fund discussions on historic preservation projects with the State Historic Preservation Officer will tend to increase the cost of the State Historic Preservation Office within the Michigan State Housing Development Authority by a minimal amount.

Senate Bill 271 has the potential to change the number of local governments that receive Community Revitalization Program awards and the size of awards received. By permitting larger grants to projects and a new category of historic preservation projects that may receive grants and loans of up to \$10.0 million, the bill allows the available funding to be used for larger projects in fewer localities. The maximum community revitalization grant for most projects will increase from \$1.0 million to \$1.5 million; however, a separate provision allows up to three historic preservation projects per year to have a combination of grants and loans totaling \$10.0 million, with no other restriction on the amount of the grants. The provisions are summarized in Table 1 below.

**Table 1**

<b>Summary of Changes in Parameters for the Community Revitalization Program Enacted Senate Bill 271</b>		
	<b>Former Law</b>	<b>Enacted Senate Bill 271</b>
Maximum Grant	\$1.0 million	\$1.5 million except approaching \$10.0 million maximum for up to 3 historic preservation projects
Maximum State Share of Project Investment	25.0%	25.0% for most projects 50.0% for up to 3 historic preservation projects
Maximum Number of Projects Funded at \$10.0 Million	3	6 includes up to 3 historic preservation projects

The bill also expands the authority of the Michigan Strategic Fund board. Projects eligible to receive support from the Community Revitalization Program will be expanded from specific types of properties to any property that is used for a project consistent with program goals set in statute, as determined by the MSF board.

The line item for Business Attraction and Community Revitalization (\$130.0 million in FY 2014-15) in the MSF budget funds both the Michigan Business Development Program and the Community Revitalization Program. The MSF board allocates funding between the two programs. Budget bill boilerplate (Public Act 252 of 2014, Article VIII, Sec. 1024) requires that at least \$20.0 million be allocated for brownfield redevelopment and historic preservation projects under the Community Revitalization Program.

Fiscal Analyst: Elizabeth Pratt