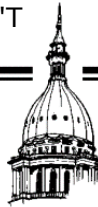




Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 271 (as introduced 3-19-13)  
Sponsor: Senator Virgil Smith  
Committee: Economic Development

Date Completed: 3-20-13

**CONTENT**

**The bill would amend 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 \$2.5 million.**
- **Allow the Michigan Strategic Fund (MSF) board to approve up to four single projects for community revitalization loans of up to \$20.0 million each year.**
- **Include in the definition of "eligible property" any other property determined by the board.**
- **Delete requirements for the MSF to report to the Legislature and provide certain legislators with copies of board meeting materials.**

**The bill also would amend Chapter 8A (21<sup>st</sup> 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.**

**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 would include any other property as determined by the MSF board.

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. Under the bill, considering the specific criteria would be permissive.

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 a community revitalization grant may not exceed \$1.0 million, but a combination of loans, grants, and other economic assistance under Chapter 8C may not exceed \$10.0 million per project. The bill would retain that limit but increase the maximum grant amount to \$2.5 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).

The bill would permit the board, notwithstanding any of these limitations, each year to approve up to four single projects for community revitalization loans of up to \$20.0 million. Not more than two of the projects could be located in a city with a population of more than 600,000.

The Act requires 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 must include information detailed in the Act. The bill would delete this reporting requirement.

The Act also requires 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 would delete 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 could include more than one business as determined by the board.

The Act requires 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 would delete this requirement.

The Act requires 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 must include information detailed in the Act. The bill would delete this reporting requirement.

MCL 125.2088r et al.

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would expand the scope of the Community Revitalization Program and the authority of the Michigan Strategic Fund (MSF) board. The Community Revitalization Program (which replaced the brownfield and historic preservation tax credits) currently provides funding to a variety of projects for reuse or rehabilitation of blighted or historic properties. Under the bill, properties eligible to receive support from the resources available to the Community Revitalization Program would be expanded to include any property determined by the Michigan Strategic Fund board. The maximum community revitalization grant would increase from \$1.0 million to \$2.5 million. The amount that the MSF board is authorized to loan to a single project would be increased from \$10.0 million to \$20.0 million for up to four projects. Not more than two of the projects could be located in the City of Detroit. This provision has the potential to concentrate the resources of this program to fewer projects and areas. Funding for the Community Revitalization Program is allocated by the MSF board from the line item appropriation for Business Attraction and Economic Gardening, which also funds the Michigan Business Development Program. This line is funded at \$100.0 million in FY 2012-13. Boilerplate requires the MSF board to grant at least \$20.0 million of that amount for brownfield redevelopment and historic preservation incentives.

The bill would potentially reduce the administrative costs of the Michigan Strategic Fund by eliminating requirements for background checks of applicants for the Business Development Program and detailed reporting on the outcomes of the Michigan Business Development Program and the Community Revitalization Program. Current MSF policies address the vetting of projects and applicants. The reduction in reporting on specific information on outcomes could reduce the ability to evaluate the impact of the programs.

Fiscal Analyst: Elizabeth Pratt

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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.