



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

JUN 26 1990

EXTEND TECHNOLOGY PARK EXEMPTION

House Bill 5737 (Substitute H-1)
First Analysis (5-21-90)

Sponsor: Rep. Thomas L. Hickner
Committee: Economic Development & Energy

THE APPARENT PROBLEM:

Public Act 385 of 1984, the Technology Park Development Act, allows a local government to establish a technology park district near a public four-year educational institution to offer tax abatements to technology facilities. Businesses granted tax exemption certificates under the act work together with a school for an interchange of ideas and services: schools gain research and development opportunities, students are offered more internship and work-study opportunities, and businesses receive tax breaks and access to a school's research capabilities. The act is one of several that have been passed in the last two decades to promote the diversification and revitalization of Michigan's economy by offering economic development incentives to private enterprises and local governments, including the Plant Rehabilitation and Industrial Development Act, and the Commercial Redevelopment Act. Some provisions of Public Act 385 parallel those of the other acts. (In fact, of the eight businesses that have taken advantage of the tax abatements offered by the Technology Park Development Act, five could also have received abatements under the Plant Rehabilitation and Industrial Districts Act.)

Authorization for the issuance of new tax exemption certificates under the act is scheduled to expire June 30 of 1990, although certificates already granted will remain in effect until their expiration dates. Also, the act required a special in-depth analysis to be done jointly by the commerce and treasury departments to determine the act's costs relative to its benefits, and whether granting additional exemptions would be in the state's best interest. In its evaluation of the benefits and the drawbacks of the act, the analysis made some specific recommendations for changes that some feel should be incorporated into the act.

THE CONTENT OF THE BILL:

Currently, under the Technology Park Development Act, a local governmental unit may establish one technology park district. The park must contain not less than 100 acres of undeveloped land, and the administration building of the university requesting establishment of the district must be located in a local governmental unit with a population of 800,000 or more persons. The bill would amend the act to permit a governmental unit to establish more than one technology park district if it did not meet the specified criteria. The bill would also amend the act to extend the time period for granting new exemptions from June 30, 1990, to December 31, 1993.

The act currently provides that, in situations where completion of a new facility under the act results in the transfer of more than 20 jobs from one municipality to another, the municipality losing the jobs must object to the transfer by resolution. Under the bill, the legislative body of each local governmental unit from which employment is to be transferred would be required to give its consent, by

resolution, to the issuance of the abatement certificate. If a local governmental unit from which employment was to be transferred did not give its consent, a copy of the resolution of denial would have to be filed with the State Tax Commission within 20 days after adoption.

MCL 207.718

FISCAL IMPLICATIONS:

According to the Department of Commerce, the bill would cause a minimal revenue loss if, during the period of extension, additional tax exemption certificates were granted to technology facilities. According to an analysis of the act issued jointly by the Departments of Commerce and Treasury, eight certificates have been granted statewide since 1984: seven by the City of Auburn Hills for the Oakland Technology Park, and one by the City of Mt. Pleasant. During the four year period 1986-89, the abatements required an increase in state school aid of \$2.8 million. (5-21-90)

ARGUMENTS:

For:

In its evaluation of the benefits and the drawbacks of the act, an in-depth analysis prepared jointly by the Departments of Commerce and Treasury found some truth in the claim that the use of tax abatements may result in one community attracting jobs from another. In Michigan, 563 jobs have been transferred within the state, and 245 jobs have been created within the state due to implementation of the act. By requiring consent, rather than objection, by resolution of the community that would lose the transferred jobs, the bill would make it easier for communities to deny application for tax abatements. Although, technically, either method would permit a community to disapprove an application, in practice it is easier for local governmental units to "neglect" to adopt a resolution, rather than to object to one, since the latter usually requires that each member give a public position.

For:

By permitting those local governmental units that do not have large tracts of undeveloped land to qualify under the act's tax abatement program, the bill would enable large cities, such as Detroit, to benefit from the program.

Against:

The analysis by the Departments of Commerce and Treasury recommended that firms pay a specific tax equal to 50 percent of the statewide average property tax rate, rather than a specific tax equal to 50 percent of the local property tax rate. The bill should be amended to include this provision, in order to establish uniformity among tax abated areas and to reduce the advantage that low millage areas have in attracting businesses.

H.B. 5737 (5-21-90)

The bill should also be amended to reflect a criticism in the same analysis that the act's definition of "technology" is so broad as to permit almost any business to qualify. For example, one real estate developer who plans to lease his building to "high-technology" businesses has been granted a tax abatement under the act.

POSITIONS:

The Department of the Treasury supports the bill. (5-18-90)

The City of Detroit supports the bill. (5-21-90)

The Department of Commerce has no position on the bill. (5-21-90)

Oakland County Intermediate Schools has no position on the bill. (5-21-90)