Legislative Analysis

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NEXT MICHIGAN DEVELOPMENT CORPORATIONS

House Bill 4783 (proposed Substitute H-1)
Sponsor: Rep. Edward McBroom
Committee: Commerce

Senate Bill 398 (proposed Substitute H-2)
Sponsor: Sen. Tom Casperson
Senate Committee: Economic Development
House Committee: Commerce

Complete to 6-10-14

A SUMMARY OF HOUSE BILL 4783 (H-1) & SENATE BILL 398 (H-2)

House Bill 4783 would amend Section 5 of the Next Michigan Development Act to allow the board of the Michigan Strategic Fund to designate a seventh Next Michigan Development Corporation. (Currently, only six such corporations can be designated.)

Senate Bill 398 would amend Section 4 of the same act to specify that the MSF board, when determining whether to designate a Next Michigan Development Corporation, must give preference to an "eligible urban entity" that is the largest city in a county with a population of 1.5 million or more. (That definition would apply to Detroit.)

These development corporations, generally speaking, can employ real and personal property tax abatements, tax increment financing plans, and renaissance zones in order to encourage economic development and investment, job creation and retention, and ancillary economic growth by attracting "eligible Next Michigan businesses." (These businesses must be related to "multimodal commerce," meaning the movement of products or services via two or more of the following: air, road, rail, or water.)

(An "urban eligible entity" is one of the kinds of entity that can be designated by the board of the Michigan Strategic Fund as a Next Michigan Development Corporation. The term "eligible urban entity" in the act refers to a city of 100,000 or more that is the largest city in a metropolitan statistical area.)

BACKGROUND INFORMATION:

The Next Michigan Development Act was part of the "Aerotropolis" legislation of 2010, and provided originally for the creation of up to five Next Michigan Development Corporations, which have as their purpose encouraging economic development and investment, job creation and job retention, and ancillary economic growth. The corporations are to be designated by the Michigan Strategic Fund. These development corporations, generally speaking, can employ real and personal property tax abatements, tax increment financing plans, and renaissance zones.

Subsequently, Public Act 238 of 2013 allowed for the designation of a sixth such corporation, with preference to be given to the counties of Marquette and Delta and the cities of Marquette and Escanaba in the Upper Peninsula. That designation is under consideration, according to the website of the Michigan Economic Development Corporation (MEDC).

This new kind of corporation requires either (1) an interlocal agreement between two or more local units of government, at least one of which must be a county, for the purpose of jointly exercising economic development powers, or (2) the participation of an "eligible urban entity," defined as a city of 100,000 or more that is the largest city in a metropolitan statistical area.

Interlocal agreements are authorized under the Urban Cooperation Act of 1967. Counties, cities, villages, townships, and charter townships are eligible to participate. Participating communities must form an "eligible act 7 entity" using the Urban Cooperation Act.

The term "eligible Next Michigan business" is found in the Michigan Economic Growth Act and refers 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.

There are five Next Michigan Development Corporations already designated (with a sixth under consideration, according to the Michigan Economic Development Corporation):

- The Detroit Region Aerotropolis Development Corporation (Wayne and Washtenaw Counties and seven local communities surrounding Detroit Metropolitan/Wayne County and Willow Run Airports).
- The I-69 International Trade Corridor (St. Clair, Lapeer, Genesee, and Shiawassee Counties.
- The Grand Traverse Corporation (Grand Traverse County, City of Traverse City, Garfield Charter Township, East Bay Charter Township, and Blair Township).
- The Western Michigan Economic Partnership (Grand Rapids, Kentwood, Muskegon, Wyoming, Cascade Township, and Kent and Muskegon Townships).
- Port Lansing (City of Lansing and Dewitt Township).

For additional information about Next Michigan development corporations, see the analysis of the original legislation from the House Fiscal Agency, at: www.legislature.mi.gov/documents/2009-2010/billanalysis/House/pdf/2009-HLA-5346-6.pdf

Also, see the fact sheet from the Michigan Economic Development Corporation (MEDC) at: www.michiganbusiness.org/cm/Files/Fact-Sheets/NextMichiganDevelopmentAct.pdf

FISCAL IMPACT:

As noted above, Next Michigan Development Corporations, generally speaking, can employ real and personal property tax abatements, tax increment financing plans, and renaissance zones in their economic development efforts. As written, the bills would initially reduce state and local revenues by an unknown amount. The medium and long term fiscal impacts of the bills depend on the change in economic activity and the taxes associated with the economic activity. Lost local school revenue would require increased spending from the School Aid Fund to maintain the foundation allowance.

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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.