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SENATE ANALYSIS SECTION

Lansing, Michigan 48909

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House Bill 4016 (as reported with amendment)**Sponsor:** Representative Lad Stacey**House Committee:** Urban Affairs**Senate Committee:** Criminal Justice, Urban Affairs, and Economic Development**Date Completed:** 3-4-87**RATIONALE**

The Enterprise Zone Act requires the enterprise zone authority in the Department of Commerce to award a grant to a university to perform independent monitoring and evaluation of the economic impact of Michigan's first enterprise zone, which is in Benton Harbor. The report must be delivered to the committees of the Legislature concerned with economic development, local government, and taxation by October 1, 1987. Wayne State University was awarded the grant but could not begin research as scheduled because the authority took six months to begin operations. The Department has suggested extending the deadline for presentation of the report to give the university enough time to complete the research.

Benton Harbor wishes to annex a parcel of land that currently is located in Benton Township and to include the annexation within the boundaries of the enterprise zone. Public Act 425 of 1984 allows two or more local units of government to transfer property, by mutual agreement, for the purpose of an economic development project. The Enterprise Zone Act is silent, however, on the issue of expanding an enterprise zone's boundaries. Authority to modify a zone's boundaries must be granted before Benton Harbor and Benton Township can agree to terms of an annexation.

CONTENT

House Bill 4016 would amend the Enterprise Zone Act to extend the deadline for a report monitoring and evaluating the economic impact of the first enterprise zone established under the Act, and to empower the enterprise zone authority to modify the boundaries of an enterprise zone. The report, which is to be presented to the standing committees of the Legislature concerned with economic development, local governmental units, and taxation, would be due before March 1, 1988, rather than October 1, 1987. Under the bill, the authority could modify the boundaries of the enterprise zone if the property were within the city's corporate limits and the authority had complied with the Act's requirements concerning application procedures.

MCL 125.2106

SENATE COMMITTEE ACTION

The Senate Committee on Criminal Justice, Urban Affairs, and Economic Development adopted an amendment to the bill that would permit the enterprise zone authority to modify the boundaries of an enterprise zone if the property were within the city's corporate limits and the authority had complied with the Act's requirements concerning application procedures.

FISCAL IMPACT

The fiscal implications of the bill for local units of government are indeterminate. Since the bill merely would grant the enterprise zone authority the option of modifying the boundaries of enterprise zones, any revenue gain or loss to the local units as a result of the bill would depend on whether the enterprise zone authority chose to modify the boundaries and to what extent, what type of property would be included or excluded from the enterprise zone and for how long, and whether the gain or loss would be offset by other financial activities of the local unit.

ARGUMENTS**Supporting Argument**

The bill would return to Wayne State University researchers the six months lost while the enterprise zone authority prepared to begin operation. It thus would allow the university to prepare its study according to its proposed schedule and scope of activities.

Supporting Argument

The bill would allow the enterprise zone authority to modify the boundaries of the Benton Harbor enterprise zone to include property annexed from Benton Township.

Opposing Argument

Empowering the enterprise zone authority to modify an enterprise zone's boundaries could contradict the Act's purpose. The Act is intended to aid "areas characterized by high unemployment, low income, high property tax rates, and blighted, obsolete, and underutilized residential, commercial, and industrial property" (MCL 125.2102). Modifying the boundaries of a zone could drain investment funds from such areas to more attractive parcels subsequently added to an enterprise zone.

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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.

H.B. 4016 (3-4-87)