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## BROWNFIELD REDEVELOPMENT

**Senate Bill 269 (Substitute H-2\*)**

**Sponsor: Sen. Bill Schuette**

**Senate Committee: Economic Development,  
International Trade and Regulatory  
Affairs**

**House Committee: Economic Development**

**House Bill 4400 as passed by the Senate**

**Sponsor: Rep. Randy Richardville**

**House Bill 5443 as passed by the Senate**

**Sponsor: Rep. Clark Bisbee**

**House Bill 5444 as passed by the Senate**

**Sponsor: Rep. Cameron Brown**

**House Committee: Economic Development**

**Senate Committee: Economic Development,  
International Trade and Regulatory  
Affairs**

**Third Analysis (4-26-00)**

### ***THE APPARENT PROBLEM:***

In 1996, the legislature enacted a package of bills that together form the Brownfield Redevelopment Program. The aim of the program was to provide additional funding and tax incentives for the cleanup and redevelopment of contaminated land, especially land in urban areas, so that it can become economically viable. The incentives are supposed to make "brownfield" property better able to compete with "greenfield" property, the name given to undeveloped land where businesses often prefer to locate because there are fewer obstacles to development. The components of the 1996 package included a revolving fund for low-interest loans to local units to provide funds for cleanup activities at contaminated sites; brownfield redevelopment zones in which special cleanup plans can be implemented; redevelopment authorities through which local units can capture increases in tax revenues from redevelopment for cleanup purposes; and single business tax (SBT) credits for owners of property in brownfield redevelopment zones.

Supporters of these programs say they have been successful in addressing contamination-related obstacles to redevelopment but need broadening if they are to be effective in further promoting economic development in brownfield areas, particularly in the state's core cities. For example, currently there are limits on how "captured" taxes and other revenues can be used by redevelopment authorities; the purposes to which the funds can be used are restricted to certain specified "eligible activities." These are defined to include only assessment and response activities related to environmental contamination. But redevelopment requires going beyond these to address other site preparation work, infrastructure improvements, and the removal of obsolete and blighted buildings. These activities should become eligible as well, say state economic development specialists. Furthermore, in some cities the need is for the redevelopment of blighted and obsolete property rather than contaminated property. These sites should also be eligible for activities paid for out of captured taxes.

Senate Bill 269 and House Bills 4400, 5443 and 5444 (4-26-00)

The SBT credit, to cite another example, is currently capped at \$1 million per site. Brownfield administrators say this cap is not sufficient to bring in “marquee” projects and should be significantly expanded. Further, the SBT credit is limited to one per taxpayer, even though some firms might want to engage in several brownfield projects. The credit should be project-based not taxpayer-based, say economic development specialists. And the credit is available only to the property developer. Sometimes, say administration spokespersons, a developer may have no tax liability for a credit to offset while a tenant or lessee of the property does. The credit should in some circumstances be transferable, they say. Moreover, the SBT credits should also be available to developments at blighted and obsolete sites and not just contaminated sites, so as to provide greater incentives to attract industrial, commercial, and residential projects to the core communities of the state.

Property tax abatements could also be useful in promoting redevelopment of brownfield sites, but they are not available as part of the current redevelopment programs. Tax abatements for buildings and improvements in newly created obsolete property tax rehabilitation districts have been proposed to promote economic development in core communities.

Legislation has been proposed by the Engler Administration to address these and other economic development issues.

### ***THE CONTENT OF THE BILLS:***

Together, the bills in the package would expand the brownfield redevelopment program. Senate Bill 269 would amend the Single Business Tax Act (MCL 208.38g). House Bill 4400 would amend the Brownfield Redevelopment Financing Act (MCL 125.2625 et al.). House Bill 5443 would amend the Michigan Economic Growth Authority (MEGA) Act (MCL 207.803 et al.). House Bill 5444 would create a new act, the Obsolete Property Rehabilitation Act. The bills contain the following major provisions and key definitions.

#### Brownfield SBT Credit

\*\* Currently, brownfield SBT credits are available only through the year 2000. The proposal would extend them through the year 2002.

\*\* The brownfield SBT credit is currently available only for eligible investments in a project at property classified as contaminated under the Natural Resources

and Environmental Protection Act (NREPA). The proposal would allow the credit to be available as well for projects at “blighted” and “functionally obsolete” property, but the expanded credit would be primarily for use in certain specified core communities, referred to as “qualified local governmental units” in the proposed legislation. (These terms are defined later under “Key Definitions.”)

\*\* The brownfield SBT credit is currently capped at \$1 million per taxpayer. The maximum amount of a single credit under the new program would be \$30 million. However, no more than 15 projects involving credits over \$1 million could be approved each calendar year and, of those, no more than 3 projects could involve credits over \$10 million. Up to 3 of the 15 projects carrying credits of over \$1 million could be for projects outside of a qualified local governmental unit if they involved investment at contaminated property, and 1 of those could involve a credit in excess of \$10 million. For approval of a project carrying a credit of over \$10 million, the Michigan Economic Growth Authority (MEGA) would have to determine that without the tax credit there would be no project. (However, this would not apply to one project where construction began after January 1, 2000 and before January 1, 2001.) Credits of over \$10 million would be claimed over a 10-year period, with no more than 10 percent of the credit claimed in any one year. Generally speaking, if the credits for a project total \$1 million or less, the credit would be equal to 10 percent of the cost of the taxpayer’s eligible investment, and if the credits total more than \$1 million, the credit would be based on a percentage of investment as determined by MEGA, not to exceed 10 percent. The proposal would put a cap of \$90 million on total SBT credits for projects with a cost of \$10 million or less.

\*\* The proposal divides projects into two categories: those with a cost of \$10 million or less and those with a cost of more than \$10 million. The approval process for the two categories would be different. An application for a project with a cost of \$10 million or less would go to the Department of Treasury or the state treasurer, depending on the date of the application. An application for a project with a cost of more than \$10 million would go to MEGA.

\*\* Before January 1, 2002, a taxpayer seeking approval for a project with a cost of \$10 million or less would apply to the Department of Treasury for certification. (A taxpayer would need to apply by October 15, 2001.) If a taxpayer showed that eligible investment would be

made on or to eligible property, the department would have to certify that the project was eligible for the credit. Within 45 days of receiving the application, the department would have to issue a certificate containing the maximum total investment for the project on which the credits would be claimed or instead provide a written notification that the project failed to meet eligibility requirements, with the deficiencies noted. An applicant could resubmit an application to correct the deficiencies.

\*\*After December 31, 2001 and before January 1, 2003, an application for a project with a cost of \$10 million or less would require the approval of the state treasurer. An application for a project would have to be approved or denied within 45 days. If the treasurer did not meet the 45-day deadline, the project would be considered approved. If a project was approved, the treasurer would issue a preapproval letter containing the maximum total eligible investment for the project on which credits would be claimed. If an application was denied, the taxpayer could apply again for the same project or another project.

\*\* The Department of Treasury would be required to submit a report annually to the committees responsible for tax policy and economic development issues in the House and Senate containing, among other things, a listing of projects costing \$10 million or less approved in the calendar year and the total amount of eligible investment of those projects.

\*\*A project with a cost of over \$10 million would have to be approved by the Michigan Economic Growth Authority and would require the concurrence of the state treasurer (who serves on the MEGA board). MEGA would have to approve or disapprove an application for a project within 65 days of its receipt. If it failed to meet the 65-day deadline, the application would be sent to the state treasurer, who would have 5 days to approve or deny it. If the state treasurer failed to act by the 5-day deadline, the application would be considered approved. If MEGA approved an application, it would issue a preapproval letter stating, among other things, the percentage of eligible investment for the project and the maximum total eligible investment on which credits could be claimed. A copy of the preapproval letter would be sent to the Department of Treasury. An applicant who was denied a credit could reapply.

\*\* MEGA and the state treasurer would have to consider the following criteria to the extent applicable to the type of project proposed when approving a credit: the overall benefit to the public; the extent of

reuse of vacant buildings and redevelopment of blighted areas; whether the eligible property was in an area of high unemployment; the level and extent of contamination alleviated, to the extent known; the level of private sector contribution; the cost gap between the site and a similar greenfield site; in cases in which the taxpayer was moving from another location in the state, whether the move would create a brownfield; the financial soundness of the taxpayer and the economic soundness of the project; and any other criteria that MEGA or the state treasurer, as applicable, considered appropriate for the determination of eligibility.

\*\* A taxpayer would claim an SBT credit in the tax year in which a certificate of completion was issued. However, a credit of over \$10 million would be claimed over 10 years. A certificate of completion would be issued to each qualified taxpayer when the project's completion had been verified by either the state treasurer or MEGA, depending on the size of the project. For MEGA verification, an on-site inspection would be required. A project would have to be completed not more than five years after the issuance of the preapproval letter. The certificate would state the total amount of all credits for the project, not to exceed the maximum in the preapproval letter; the total amount of the project and the eligible investment of each qualified taxpayer; the credit amount for each qualified taxpayer; and, for a credit over \$10 million, the schedule on which the annual credit amount could be claimed. If a credit exceeded tax liability for a tax year, it could be carried forward for 10 years or until used up, whichever occurred first.

\*\* Currently, only one brownfield SBT credit is available per taxpayer for all tax years. The proposal would instead allow one credit per project. A taxpayer would be eligible for more than one credit per year (but no more than one per project).

\*\* The proposal would allow an SBT credit to be transferred from a property owner to a lessee of the property under certain circumstances. The property would have to be leased for a minimum term of 10 years, and the credit assignment would be irrevocable. If there was more than one lessee, the taxpayer could prorate the credit to each lessee. A taxpayer also could claim a portion of the credit and assign the remaining portion. A lessee could not subsequently assign a credit or any portion of a credit assigned.

\*\* If a qualified taxpayer was a partnership, limited liability company, or subchapter S corporation, the

taxpayer could assign all or a portion of a credit to its partners, members, or shareholders based on their proportionate share of ownership. Such an assignment would be irrevocable. A qualified taxpayer could, as above, claim a portion of a credit and assign the remaining portion. A partner, member, or shareholder that was an assignee could not subsequently assign a credit or a portion of a credit.

\*\* To be eligible for a credit currently, property must be located in a brownfield redevelopment zone. The zone concept would be discontinued for future projects; credits now would simply be available to eligible property, and a municipality's brownfield redevelopment authority would exercise its powers over eligible property located in the municipality.

\*\* A credit could not be claimed based on investment related to the operation of a professional sports stadium, including a parking lot or retail store, or investment related to the operation of a casino, including a parking lot, hotel, motel, or retail store. However, the prohibition would not apply to a professional sports stadium that was not being used by a professional sports team on the date an application related to that stadium was filed.

#### Tax Increment Financing

\*\* In qualified local governmental units (or core communities), tax increment financing arrangements would apply not only for contaminated property but also for blighted and functionally obsolete property.

\*\* Also in those communities, the purposes eligible for financing would be expanded to include infrastructure improvements that directly benefit eligible property, the demolition of structures, lead or asbestos abatement, site preparation, and relocation of public buildings or operations for economic development purposes (with prior approval of MEGA). Currently, financing is restricted to baseline environmental assessment activities, due care activities, and additional response activities, as those terms are defined in the Natural Resources and Environmental Protection Act. The term "infrastructure improvements" would be defined to include a street, road, sidewalk, parking facility, pedestrian mall, alley, bridge, sewer, sewage treatment plant, property to reduce, eliminate, or prevent soil or groundwater contamination, drainage system, waterway, waterline, water storage facility, rail line, utility line or pipeline, or other similar related structure or improvement, together with necessary easements.

\*\* If under a brownfield plan, school operating taxes were to be used for the expanded purposes cited above, MEGA would have to approve a work plan and there would have to be a development agreement between the municipality and the owner of the property. The approval of the Department of Environmental Quality (DEQ) would not be required for this work plan. If MEGA failed to respond in writing within 90 days after receiving a request for approval of a work plan, the eligible activities would be considered approved and the authority could proceed. An authority would have to reimburse MEGA for the actual cost of reviewing a work plan.

\*\* Currently, school operating taxes can only be captured if the eligible activities to be conducted on the property are consistent with a work plan or remedial plan approved by the DEQ between July 24, 1996 and January 1, 2001. Under the proposal, this provision would be extended to January 1, 2003 and rewritten to specify that it applies to response (cleanup) activities only and not to the expanded activities cited in the paragraph above. DEQ approval would still be required for these work plans or remedial plans. School operating taxes, moreover, could not be used for response activities that would benefit a party liable for contamination under NREPA. Further, any excess revenues from school operating taxes could not be captured for deposit in the local site remediation revolving fund. All taxes levied for school operating purposes that were not used for eligible activities consistent with a work plan approved by MEGA would be distributed proportionately between the local school district and the State School Aid Fund.

\*\* An authority could only use taxes captured from eligible property to pay for administrative or operating activities of the authority or municipality in certain specified cases: 1) to cover the costs of preparing a work plan or remedial action plan; and 2) to reimburse costs directly related to work conducted prior to approval of the brownfield plan up to \$50,000 per authority per fiscal year, with the prior approval of the Department of Treasury.

\*\* The proposal adds new public hearing requirements for the adoption of a brownfield plan. (Currently, the law does not specifically require a hearing but requires notice and a reasonable opportunity for affected taxing jurisdictions to express concerns.) The proposal would require that public notice of a hearing be published twice in a newspaper of general circulation, the first of which would have to be published no less than 20 days or more than 40 days before the hearing, with

information about the plan and a statement that maps, plats, and a plan description were available for public viewing. Interested persons would have to be given an opportunity to be heard and the local governing body would have to receive and consider written communications about the plan. Further, the local governing body would be required to notify the affected taxing jurisdictions at least 20 days before the hearing and fully inform them about the fiscal and economic implications of the plan. Officials from the affected jurisdictions would have a right to be heard at the public hearing.

\*\* As mentioned above, the zone concept would be discontinued for future projects under the proposal, and a municipality's brownfield redevelopment authority would exercise its powers over eligible property located in the municipality. Zones established under current law would continue to exist and their boundaries could be altered subsequent to a public hearing.

\*\* MEGA would be required to submit a report annually on or before March 1 to each member of the legislature compiling information submitted by brownfield authorities seeking approval of work plans and including the amount of revenue the state would have received and each local unit of government would have received if taxes levied for school operating purposes had not been captured for the previous calendar year.

#### Obsolete Property Tax Abatements

\*\* A new act would be created that would allow tax abatements for commercial facilities, including residential property, undergoing rehabilitation and located in special districts that certain eligible communities ("qualified local governmental units" or core communities, as in the other proposals) could establish. The abatements would be available for blighted, functionally obsolete, and contaminated properties. An exemption certificate could be granted for one to twelve years and would have to be approved by the local legislative body and the State Tax Commission. No certificates could be granted after December 31, 2010, but an exemption in effect on that date would continue until the certificate expired. An exemption would not be available for property associated with a professional sports stadium or a casino.

Property owners would be exempted from ad valorem property taxes, except school operating taxes and the state education tax, and instead would have to pay a

specific tax, to be called the obsolete properties tax. This tax would be based on the taxable value of the facility before rehabilitation. (The exemption is for the facility not the land and not, generally speaking, personal property.)

Local units would be required to report annually to the State Tax Commission on the status of each exemption, including the current value of exempted property, the number of jobs retained or created, and new residents. The Department of Treasury would use this information in making an annual report to the committees in the Senate and the House responsible for tax policy and economic development issues. After three years, the department would have to submit to those committees an economic analysis of the costs and benefits of the new act in the three local units where the exemption had been used the most.

#### MEGA SBT Credits (Non-Brownfield)

\*\* A new kind of credit would be created under the proposal for qualified high technology businesses. Up to 50 of these credits could be authorized each year. A high technology business would have to agree to create at least 5 new jobs initially and an additional 25 new jobs within 5 years after the date of the agreement; the 25 jobs would have to be maintained for each year that a tax credit was authorized. The average wage for the jobs would have to be at least four times the federal minimum wage.

\*\* Currently, only 25 MEGA credits can be authorized each year. The proposal would allow any unused credits in one year to be carried over to the next year.

\*\* MEGA could also enter into a written agreement for SBT credits with an eligible business that met either of the following criteria: 1) was located in the state on the date of its application, made new capital investment of \$250 million in the state, and retained 500 full-time jobs; or 2) relocated production of a product to the state, made capital investment of \$500 million in the state, and retained 500 full-time jobs. This credit could extend for up to 20 years. MEGA would determine the amount of the credit. In the second case (\$500 million), the credit could not be more than one or both of the following: 1) the payroll attributable to the employees performing retained jobs multiplied times the tax rate; and 2) the tax liability of the business multiplied by a fraction the numerator of which was the ratio of the value of capital investment to all of the firm's property in the state plus the ratio of payroll

attributable to retained jobs to all the firm's payroll in the state, and the denominator of which was two. In the first case cited above (\$250 million), the maximum credit would be half the maximum in the second case. This kind of credit would be issued for a period not to exceed 20 years.

### Key Definitions

\*\* The term "qualified local governmental unit" is used in the various brownfield statutes and would apply to a city with a median family income of 150 percent or less of the statewide median family income as of the 1990 census that met one or more of the following conditions: a) was contiguous to a city with a population of 500,000 or more; b) had a population of 10,000 or more and was located outside of an urbanized area; d) contained an eligible distressed area under the Michigan State Housing Development Authority Act; and e) was the central city of a metropolitan area designated by the United States Bureau of the Census. It would also apply to a township with a median family income of 150 percent or less of the statewide median family income that was either 1) contiguous to a city with a population of 500,000 or 2) that met all of the other requirements listed above (other than being a central city). Further, the definition would apply to: a city with a population of more than 20,000 or less than 5,000 located in a county with a population of 2 million or more that as of January 1, 2000 had an overall increase in state equalized valuation of less than 65 percent of the statewide average since 1972 (as determined for the designation of eligible distressed areas under the State Housing Development Authority Act); and a township located in a county with a population between 600,000 and 1 million that has a population between 40,000 and 80,000 according to the 2000 decennial census (or the July 1998 state estimates prior to the release of the results of the 2000 census).

\*\* A "high-technology business" would be defined as a business whose activity included high-technology activity and that used at least 25 percent of its total operating expenses for research and development. The term "high-technology activity" would mean advanced computing; advanced materials; biotechnology, but not cloning or stem cell research with embryonic tissue; electronic device technology; engineering or laboratory testing; technology assisting in the assessment or prevention of threats or damage to human health or the environment; medical device technology; product research and development; advanced vehicles technology, including technology involving electric vehicles, hybrid vehicles, and alternative fuel vehicles.

\*\* "Blighted" property would include property that had been declared a public nuisance under a local housing, building, plumbing, fire, or other code; was an attractive nuisance to children because of physical condition, use, or occupancy; was a fire hazard or otherwise dangerous to persons or property; had utilities, plumbing, heating, or sewerage that was permanently disconnected, destroyed, removed, or rendered ineffective so that the property was unfit to use; or was tax reverted property owned by a qualified local government, a county, or the state.

\*\* "Functionally obsolete" property would mean property that could not be used for its intended purpose because of a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or superadequacies in design, or other similar factors that affect the property itself or its relationship with other surrounding property.

\*\* "Eligible investment" refers to demolition, construction, alteration, renovation, or improvement of buildings or site improvement on eligible property and the addition of machinery, equipment, and fixtures after the date that eligible activities have begun under a brownfield plan and after the date a preapproval letter has been issued. Leased equipment, machinery and fixtures falls under the definition if the lease has a minimum term of 10 years or is for the expected life of the equipment, machinery, or fixtures, and if the owner of the equipment, machinery, or fixtures is not the qualified taxpayer.

### **BACKGROUND INFORMATION:**

The following are the cities that are "qualified local governmental units" under the package, according to the Department of Treasury: Adrian, Albion, Alma, Alpena, Ann Arbor, Baldwin, Bangor, Battle Creek, Bay City, Benton Harbor, Big Rapids, Bronson, Burton, Cadillac, Carson City, Caspian, Cheboygan, Coleman, Dearborn, Dearborn Heights, Detroit, Dowagiac, East Lansing, Eastpointe, Ecorse, Escanaba, Ferndale, Flint, Gibraltar, Gladstone, Grand Haven, Grand Rapids, Grayling, Hamtramck, Harbor Beach, Harper Woods, Hazel Park, Highland Park, Holland, Inkster, Ionia, Iron River, Ironwood, Ishpeming, Jackson, Kalamazoo, Lansing, Lincoln Park, Livonia, Ludington, Manistee, Manistique, Marquette, Melvindale, Midland, Monroe, Mount Morris, Mount Pleasant, Muskegon, Muskegon Heights, Oak Park,

Onaway, Owosso, Pinconning, Pontiac, Port Huron, River Rouge, Saginaw, Saint Louis, Sault Ste. Marie, Southfield, Stambaugh, Sturgis, Taylor, Traverse City, Trenton, Vassar, Wakefield, Warren, Wayne, Wyandotte, and Ypsilanti. Also the following townships would qualify: Benton Township, Buena Vista Township, Genessee Township, Macomb Township, Mount Morris Township, Redford Township, Royal Oak Township, and Shelby Township.

**FISCAL IMPLICATIONS:**

The state treasurer has testified that the brownfield SBT credit is estimated to cost \$23 million in foregone revenue in fiscal year 2001 and \$50 million in fiscal year 2002. (Testimony before the Senate Committee on Economic Development, International Trade and Regulatory Affairs on 3-14-00)

**ARGUMENTS:**

**For:**

The package of bills would significantly enhance the current brownfield redevelopment program and encourage greater redevelopment of contaminated, blighted, and functionally obsolete property in certain core communities. Administration spokespersons have said that this is part of the “administration’s initiative to assure the revitalization and long-term sustainability of Michigan’s core communities.” The proponents say the package “will significantly advance the state’s efforts to reclaim brownfield properties and maintain greenfield space.” Among other things, the package will:

- – Provide for larger SBT credits than are now available to encourage “marquee” projects and other businesses to locate in brownfields, and allow the credits to be used in core communities not only for development at contaminated sites but also at blighted and functionally obsolete sites. Three of the new credits could be worth up to \$30 million. And credits could be assigned to lessees in certain circumstances and passed through to partners and shareholders.
- – Allow captured tax revenues to be put to expanded uses in core communities and at more sites. In qualifying communities, captured tax revenues could be used for infrastructure improvements, lead and asbestos abatement, site preparation, demolition of structures, and administrative and operating costs, in addition to cleanup activities.

– – Grant new property tax abatements at brownfield sites, with local approval for obsolete property in core communities.

– – Make available a new kind of SBT credit for high-technology businesses no matter where located in the state to allow Michigan to compete for coveted research and development enterprises with high paying jobs, particularly small start-up companies and young, growing firms. It would also make available a non-brownfield SBT credit for the location of a large-scale business operation that would invest \$250 million or \$500 million in the state and retain 500 full-time jobs. (This is understood to apply to a new General Motors plant.)

– – Provide a compromise approach to the approval of credits of \$1 million or less. The House previously approved a process whereby the smaller credits were “self-claiming;” that is, if a firm met the eligibility criteria, it could claim a credit. The Department of Treasury simply had to determine if the taxpayer was eligible. That version also provided for an unlimited number of credits. The Senate-passed version limited the number of credits to 30 per year and required approval of each credit by the state treasurer, who would have the discretion of refusing to grant a credit to an otherwise eligible taxpayer. The bill in its current form, generally speaking, adopts the House approach for the first two years and the Senate approach for the last year, and caps the total amount of the credits at \$90 million for the three years. This attempts to combine the “self-claiming” approach preferred by the business sector with the fiscal control approach preferred by tax administrators.

**Against:**

A number of questions and concerns have arisen about various aspects of this package of bills.

– – Is it fair to limit various new tax captures and tax incentives to “qualified local governmental units” in the way the package does? The current definition includes some cities and excludes others with no particular justification. The definition and list of eligible communities have grown to become somewhat incoherent as the proposal has moved through the legislative process. Could the criteria for participation be made site-specific; that is, define the kinds of sites that deserve to be eligible for these new development tools?

– – Even if enhanced SBT credits must be limited to certain core communities, why not allow other “non-

core” local units to engage in expanded activities under brownfield-related tax increment finance arrangements? Then, local units could make their own decisions about the loss of local tax revenue.

-- Is it wise to provide the MEGA board and the state treasurer so much discretion in the awarding of tax breaks? Will the public or legislature know why some are granted while others are not? If not, won't this engender suspicion and mistrust?

-- There are concerns about the approval process for projects of \$10 million or less (those involving tax credits of \$1 million or less). The Senate-passed version of Senate Bill 269 required the state treasurer's approval of all such credits and limited them to 30 credits per calendar year. State tax officials apparently prefer that approach. It would allow control over the cost of the program and the worthiness of development projects. In its current form, the bill would have a certification process for the first two years' worth of credits, whereby the Department of Treasury certified anyone who met eligibility criteria for a credit. The bill then would then switch for the last year of the program to a process whereby the state treasurer decided who would get a credit and who wouldn't. Plus, the bill puts a cap of \$90 million on these smaller credits (rather than 30 projects per year). The approach taken by the House substitute for Senate Bill 269 raises concerns about the total cost of these credits.

-- Is it necessary to have a “but for” provision in awarding the largest SBT credits? The object ought to be to redevelop brownfield sites and help revitalize urban areas, not to make companies threaten to leave the state in order to get a tax credit. If such a provision is necessary, is it then fair to include a special exception from the requirement? The package would do this by exempting a project described as already under construction in the year 2000.

-- Some people have proposed expanding tax incentives for developing brownfields by reducing school operating taxes significantly (from the current 24 mills) for new commercial property in brownfields. Rather than being a loss in revenue, this would bring in new revenue to schools that otherwise wouldn't exist.

-- An earlier House-passed version of the obsolete property tax abatements allowed for the abatement of school operating taxes in a limited number of circumstances and with the approval of the state treasurer. That provision is not in the Senate-passed version. It should be restored so that the abatements provide the necessary incentive to promote economic

development. Otherwise, the value of the abatement is significantly diminished.

**Response:**

Many of the issues raised above are being discussed as the package moves through the legislative process. It is important to keep a strong focus on core communities where blighted and obsolete (and contaminated) properties predominate and to keep control over cost of the program.

**POSITIONS:**

The Michigan Municipal League supports the the bills. (4-25-00)

The Michigan Chamber of Commerce has indicated that it is generally supportive of the package; it has also expressed a preference for the credit approval provisions found in the bill as reported by the House Economic Development Committee. (4-25-00)

The Grand Rapids Area Chamber of Commerce has indicated its support for the package and for the credit approval process contained in the H-2 substitute. (4-25-00)

The Detroit Regional Chamber of Commerce has indicated support for the concepts contained in the package and for the approval process for \$1 million and under credits adopted by the House Economic Development Committee. (4-25-00)

Analyst: C. Couch

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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.