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Senate Bill 455 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Randy Richardville
Committee: Economic Development and Regulatory Reform

(as enrolled)

Date Completed: 10-25-07

RATIONALE

Under the Local Development Financing Act, a city, village, or urban township may establish a local development finance authority (LDFA) to "capture" revenue from millage levied on the increased value of property within the boundaries of the authority, and to invest the revenue in public facilities, or infrastructure, for the property. The Act allows the capture of property taxes only from property used for manufacturing and agricultural processing activities and from property within certified technology parks. Only townships that meet certain sets of criteria qualify under the Act as urban townships and, thus, may establish LDFAs.

There is interest in broadening the urban township criteria in order to allow two additional townships to assist in particular economic development projects. One involves Tenneco, an automotive supplier specializing in emission-control and ride-control devices. This company reportedly would like to expand its engineering facility in Jackson County's Grass Lake Township, but the development needs municipal water and sewer service. In addition, Whiteford Township in Monroe County would like to pursue an industrial development at a site near the Ohio border and the U.S. 23 expressway.

CONTENT

The bill would amend the Local Development Financing Act to expand the definition of "urban township".

The Act's definition of "urban township" refers to a township that meets at least one of five sets of criteria. Although the sets

vary in their criteria, each takes into account township and county population, and the date the township adopted a master zoning plan or established a local development finance authority. The bill would add to the definition a township that meets all of the following criteria:

- Has a population of less than 10,000.
- Has a State equalized valuation (SEV) of more than \$280 million.
- Adopted a master zoning plan before February 1, 1987.
- Has within its boundaries a combination of parcels under common ownership that is 199 acres or larger, is within one mile of a limited access highway, and is within one mile of an existing sewer line.
- Has rail service.

The township also would have to establish a local development finance authority before May 7, 2009.

MCL 125.2152

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Tenneco, a major automotive supplier would like to expand one of its North American engineering centers, located in Grass Lake Township. The availability of municipal water and sewer service would aid this development, and the township evidently would like to assist the project by extending water and sewer systems to it. Forming an LDFA would allow the township to capture

revenue from taxes levied on the increased value of certain property, but Grass Lake Township currently does not qualify as an urban township under the Local Development Financing Act.

By specifying a new set of criteria in the Act's definition of "urban township", the bill would include Grass Lake in that definition. The township then could establish an LDFA, which would provide a means for Grass Lake to assist Tenneco in its desired expansion by extending the municipal water and sewer service to the site of the development. This, in turn, would benefit the local and State economy through Tenneco's increased business activity and well-paying automotive engineering jobs.

Supporting Argument

Whiteford Township, located along U.S. 23 near the Michigan-Ohio border, is well situated for industrial development. The establishment of an LDFA would enable the township to pursue this opportunity by using tax increment financing to develop an industrial park that would attract tenants. By expanding the Act's definition of "urban township", the bill would help make such a development possible.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill likely would have little to no effect on State revenue and would have no impact on State expenditures. The bill likely would apply only to two townships and could increase both revenue and expenses within the townships. To the extent that development would occur absent the bill, the bill would prevent revenue increases that otherwise would be received by entities with captured mills, such as community colleges and library authorities, as well as revenue to the local unit, if it established a local development finance authority. The magnitude of any impact would depend upon changes in property values related to any development and the mills subject to capture. Any State impact would be limited to the capture of State education tax revenue, which would affect certain expenses only and would need to be approved by the State Treasurer.

Fiscal Analyst: David Zin

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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.