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BILL



ANALYSIS

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Senate Bill 1251 (as reported without amendment)  
Sponsor: Senator Alan Sanborn  
Committee: Economic Development and Regulatory Reform

*(as passed by the Senate)*

Date Completed: 6-4-10

**RATIONALE**

Public Act 457 of 2008 amended the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to revise the definition of "industrial property" in a manner that allows certain convention and trade centers to qualify for tax abatements under PA 198 if construction on them begins by December 31, 2010. Due to the difficult credit and real estate climate that has existed in recent years, however, the developers of one of these projects might not be prepared to begin construction by the end of 2010. It has been suggested that the deadline for the beginning of construction of a convention and trade center under the Act's definition of "industrial property" be extended by two years.

The Act's definition of "industrial property" includes a convention and trade center in which construction begins by December 31, 2010, and that is one of the following:

- Over 250,000 square feet in size.
- If located in a county with a population of more than 750,000 and less than 1.1 million, over 100,000 square feet in size.
- If located in a county with a population of more than 26,000 and less than 28,000, over 30,000 square feet in size.

Under the bill, construction of the facility would have to begin by December 31, 2012.

MCL 207.552

**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**

The proposed Convention Centre at Chesterfield Towne Centre in Macomb County could have a major economic impact in the county and regionally. The development is projected to create approximately 1,750 permanent jobs at the convention center and about the same number of permanent positions for the rest of the site, in addition to construction jobs. This could serve to jump-start the lagging economy in that portion of southeastern Michigan. Attracting small-scale conventions, along with tourism, entertainment, and commercial activity to the county also would help diversify the

**CONTENT**

**The bill would amend the plant rehabilitation and industrial development Act to extend the deadline by which construction must begin for certain convention and trade centers included in the definition of "industrial property".**

The Act allows local units of government, with the approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in an industrial development district. A certificate essentially grants a property tax abatement for industrial property in a district, which is subject to an industrial facilities tax that is lower than standard property taxes.

region's economy. The convention center and other commercial operations, with a strategic location along the I-94 expressway between M-59 and 21 Mile Road, likely would draw business activity from an area between Port Huron and Detroit, including all of Macomb County and eastern and northern Oakland County, plus the Sarnia and Windsor areas of Ontario. The convention center would work well with existing golf courses, hotels, restaurants, marinas, and beaches in the area to serve as a tourist attraction. Because of its smaller scale, the development likely would not infringe on Detroit's convention business at Cobo Center, and could supplement events at other small trade and convention centers in southeastern Michigan.

By including a convention and trade center in Macomb County that would be between 100,000 and 250,000 square feet in size in the PA 198 definition of "industrial property", Public Act 457 aimed to encourage investment in the county and spur significant increases in income and tax revenue within the area. Unlike Oakland and Wayne Counties, Macomb County currently does not have a convention center, so the proposed center--and the tax abatement incentive to build it--should foster regional cooperation and bring parity to Macomb County as a convention site. The 2008 legislation, however, came just as the economy in Michigan and the nation was experiencing its worst downturn in decades. Part of that economic slowdown has been a severe tightening of credit markets, particularly for real estate development. As a result, developers have been delayed in securing financing for the convention center project in Macomb County and are not likely to begin construction by the December 31, 2010, deadline in the Act. Extending that deadline by two years would give developers the needed extra time to secure financing for the project and still receive a tax abatement under PA 198.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

By expanding the timeline upon which convention and trade centers can qualify for a tax exemption under the plant rehabilitation and industrial development Act, the bill potentially would reduce local government taxes. Local government

property taxes could be reduced if such a facility were constructed in a jurisdiction based on the extension of the deadline. The magnitude of this reduction would depend on the value of the project.

Fiscal Analyst: Eric Scorsone

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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.