

# Legislative Analysis

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## SMART ZONES

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**House Bill 5246 (Substitute H-2)**

**Sponsor: Rep. Wayne Schmidt**

**Committee: Commerce**

**Complete to 5-29-12**

## A SUMMARY OF HOUSE BILL 5246 AS REPORTED FROM COMMITTEE

The bill would allow the Michigan Economic Development Corporation (MEDC) to designate three additional certified technology parks (also known as Smart Zones). The zones could be designated before March 31, 2013. The bill amends the Local Development Financing Act (MCL125.2162a), which is a tax increment financing statute.

Under the act, these special technology parks or zones are able to capture the growth in property taxes (tax increments) within the park, with the revenue to be used in the park for a variety of purposes, including infrastructure construction, property purchases, marketing and promotion, and creating high-technology support facilities, such as laboratories and training centers, among other things. The act also requires the state, in the case of the certified technology parks created after 2002, to reimburse local school districts, intermediate school districts, and the state's School Aid Fund for tax revenue lost. This reimbursement would apply to the new technology parks permitted under this bill. There are currently 15 of these zones.

That act also allows a municipality that has created an LDFA authority to apply to the Michigan Economic Development Corporation (MEDC) for a technology park to be designated as a certified alternative energy park. However, an agreement making such a designation had to be made before December 31, 2011. House Bill 5246 would extend that deadline to December 31, 2012.

The bill also would amend the definition in the act of "alternative energy technology business" to include a business located in an authority district that includes a military installation that had been operated by the U.S. Department of Defense and closed after 1980. The bill would allow a municipality to seek a certified alternative energy park designation for a park that includes such a military installation.

The act currently allows the capture of state and local school taxes for up to 15 years for certain bonding to finance public facilities with a certified technology park, with the approval of the State Treasurer. The bill would allow for a five-year extension of school tax capture if it agrees to additional reporting requirements and modifies its tax increment financing plan to include regional collaboration as determined by the State Treasurer and the president of the Michigan Economic Development Corporation.

The extension could be 15 years in cases where a municipality that has created a park has entered into an agreement with another LDFA that does not contain a park to designate a "distinct geographic area" within the authority as a technology park. This allows, generally speaking, for a community without a designated Smart Zone to have a Smart Zone by

piggybacking on a SmartZone in another community. The intent is that this new Smart Zone territory would not count toward the total number of zones permitted, but would count as part of the "home" Smart Zone.] Under this provision, both the authority that has created a park and the associated distinct geographic area could capture school revenues for an additional 15 years with the approval of the State Treasurer and MEDC.

## **BACKGROUND INFORMATION:**

The MEDC has described SmartZones as follows:

*SmartZones provide distinct geographical locations where technology-based firms, entrepreneurs and researchers locate in close proximity to all of the community assets that assist in their endeavors. SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government, and other community institutions growing technology-based businesses and jobs. New and emerging businesses in SmartZone technology clusters are primarily focused on commercializing ideas, patents, and other opportunities surrounding corporate, university or private research institute R&D efforts.*

The MEDC website has a SmartZone fact sheet and a map of the existing zones at:  
<http://ref.themedc.org/cm/attach/DA889C19-C8A6-434A-9FE4-F5440B4B7DF7/MISmartZonefactsheet.pdf>

## **FISCAL IMPACT:**

By increasing the number of certified technology parks in Michigan, the bill would increase state expenditures to the extent that the state has to reimburse intermediate school districts, local school districts, the State School Aid Fund for lost tax revenue captured by the technology park authority.

## **POSITIONS:**

The Michigan Economic Development Corporation (MEDC) testified in support of the bill. (3-20-12)

Representatives from Saginaw Future and Midland Tomorrow testified in support of the bill on 3-20-12.

The following indicated support for the bill via email letters to the committee: the Mayor of the City of Flint; the Executive Director of the Genesee Regional Association of Collegiate Entrepreneurs; and the Director of Kettering University Tech Works. (5-23-12 and 5-24-12)

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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.