Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 323 (as reported without amendment)
Sponsor: Senator John Pappageorge
Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to include as "eligible activities" certain site preparation activities on property that was not in a qualified local governmental unit but was designated by the Michigan Economic Growth Authority (MEGA) as a "major redevelopment project"; include certain property at a major redevelopment project in the Act's definition of "eligible property"; and allow MEGA to designate up to two major redevelopment projects each year.

The bill would define "major redevelopment project" as a project to which all of the following apply:

-- The amount of new construction investment in the project is at least $50.0 million.
-- The project includes at least one multilevel parking facility.
-- The project leads to the creation of at least 300 permanent jobs.
-- The State and region will benefit from the project.

The Act allows qualified local governmental units (as defined in the Obsolete Property Rehabilitation Act) to establish brownfield redevelopment zones and brownfield redevelopment authorities, which may implement brownfield plans for the redevelopment of commercial or industrial property. Brownfield authorities may capture property tax revenue based on increases in the assessed value of eligible property, and use the tax increment revenue for the costs of eligible activities on eligible property.

"Eligible activities" include certain infrastructure, demolition, and preparation activities for eligible property that 1) is or was used for commercial, industrial, or residential purposes, 2) is a facility, functionally obsolete, or blighted; and 3) is located in a qualified local governmental unit, is owned by or under control of a land bank fast track authority, or is in an economic opportunity zone. Under the bills, this also would apply to activities on property that met the first two criteria and was designated a major redevelopment project.

The bill would include in the definition of "eligible property" property that was not in a qualified local governmental unit and was a facility, functionally obsolete, or blighted and that MEGA designated as property with a major redevelopment project.

MCL 125.2652 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local unit revenue by an unknown amount and increase School Aid Fund expenditures by an unknown amount, depending upon the specific characteristics of the projects affected by the bill. By expanding the definitions of "eligible activities" and "eligible property", the bill would increase the amount of taxes subject to capture.

As of November 2008, there were 280 brownfield redevelopment authorities. According to the Department of Treasury, approximately $310.0 million in local property tax revenue will be captured under current law by all authorities using tax increment capture (downtown development authorities, local development finance authorities, tax increment finance authorities, and brownfield redevelopment authorities) during FY 2008-09. The portion of that amount attributable to brownfield projects is unknown. A 2006 report from the Department of Environmental Quality (DEQ) estimated approximately $2.6 million in captured State Education Tax revenue and $6.6 million in captured local school operating property tax revenue, up from $2.1 million and $5.2 million, respectively, in 2005. While the local millage rate in a community with a major redevelopment project would determine the specific capture for such a project, if a single project added $60.0 million in taxable value and the property faced the statewide average tax rate of 51.85 mills, the total captured would be approximately $1.6 million per year, of which approximately $0.2 million would be State Education Tax revenue. The capture also would result in increased School Aid Fund expenditures of approximately $0.5 million per year.

Date Completed: 3-12-09 Fiscal Analyst: David Zin