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Senate Bill 323 (as introduced 3-4-09)  
Sponsor: Senator John Pappageorge  
Committee: Economic Development and Regulatory Reform

Date Completed: 3-10-09

### **CONTENT**

**The bill would amend the Brownfield Redevelopment Financing Act to do all of the following:**

- **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".**
- **Allow MEGA to designate up to two major redevelopment projects each year.**
- **Define "major redevelopment project" with respect to investment, the type of facility, job creation, and regional benefit.**

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.

For eligible property that is used for commercial, industrial, or residential purposes and that meets certain other criteria, "eligible activities" include all of the following:

- Infrastructure improvements that directly benefit eligible property.
- Demolition of structures that is not response activity under Section 20101 of the Natural Resources and Environmental Protection Act (NREPA).
- Lead or asbestos abatement.
- Site preparation that is not response activity under Section 20101 of NREPA.
- Assistance to a land bank fast track authority in clearing or quieting title to, or selling or otherwise conveying, property owned or under the control of an authority or the acquisition of property by the authority for economic development purposes.

(Under Section 20101 of NREPA, "response activity" means evaluation, interim response activity, remedial action, demolition, or the taking of other actions necessary to protect the public health, safety, or welfare, or the environment or natural resources.)

Under the bill, those activities also would be eligible activities for eligible property that was designated as 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. In each calendar year, MEGA could designate not more than two projects as major redevelopment projects. A major redevelopment project would be a project to which all of the following applied:

- The amount of new construction investment in the project was at least \$50.0 million.
- The project included at least one multilevel parking facility.
- The project led to the creation of at least 300 permanent jobs.
- The State and region would benefit from the 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.

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.