



**House
Legislative
Analysis
Section**

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RENAISSANCE ZONE EXTENSION

**House Bill 5805 as enrolled
Public Act 477 of 2002
Sponsor: Rep. Jason Allen**

**House Bill 5806 as enrolled
Public Act 478 of 2002
Sponsor: Rep. Joseph Rivet**

**House Committee: Commerce
Senate Committee: Economic
Development, International Trade and
Regulatory Affairs**

Second Analysis (7-2-02)

THE APPARENT PROBLEM:

Recent changes to the Michigan Renaissance Zone Act allow a local governmental unit containing renaissance zones to designate additional subzones, up to a total of 10, with the approval of the State Administrative Board, and at the same to extend the duration of the renaissance zone status of the zones. Economic development officials were under the impression that extending the duration of zones also required approval from the State Administrative Board, but apparently the language added to the act in 1999 did not clearly require such approval. Legislation has been introduced to make it clear that extending the "time clock" of a renaissance zone requires approval of the State Administrative Board, in recognition that such a decision affects the revenues of other local units besides the local unit seeking the extension.

THE CONTENT OF THE BILLS:

House Bill 5805 would amend Section 4 of the Michigan Renaissance Zone Act (MCL 125.2684) to specify that the approval of the State Administrative Board is required before a local governmental unit can extend the duration of the renaissance zone status of one or more distinct geographic areas (or sub-zones) in a zone.

The act currently provides that through December 31, 2002, a local governmental unit in which certain renaissance zones have been designated can designate additional distinct geographic areas (not to exceed a total of 10) upon application to and approval by the State Administrative Board. The act says that

a local unit that designates additional distinct geographic areas can extend the duration of the zone status of one or more distinct geographic areas in the zone until 2017. House Bill 5805 would specify that the extending of the duration of the renaissance zone status can be accomplished only upon application to and approval by the State Administrative Board. House Bill 5805 contains an enacting section specifying that its provisions are to be retroactive and effective for one or more geographic areas whose duration of renaissance zone status had been extended on and after April 1, 2002. Any action by a local unit on and after April 1, 2002 and until the effective date of the bill [6-27-02] to extend the duration of renaissance zone status on additional distinct geographic areas without approval of the State Administrative Board would be null and void.

House Bill 5806 would amend Section 6 of the same act (MCL 125.2686), which provides for the duties of the State Administrative Board under the act, to specify that one of the duties of the board is to approve or reject the duration of renaissance zone status. (Currently, the section says the board shall "approve or reject the duration of renaissance zone status, not to exceed 15 years except as provided in section 4(5)". The bill would delete the underlined portion.)

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bills should not have significant fiscal impacts. (HFA fiscal analysis dated 4-15-02)

House Bills 5805 and 5806 (7-2-02)

ARGUMENTS:

For:

The bills would make it clear that the extension of the duration of a renaissance zone beyond the original authorized time period would require the approval of the State Administrative Board. The ability to extend the "time clock" of a zone was only recently added to the act. Reportedly, economic development specialists believed SAB approval to be required until recently informed by the attorney general that the act was not properly written to require such approval. Time clock extensions should be subject to board approval because, like other applications submitted to the board, they have an impact beyond the boundaries of the local units requesting them. Businesses in renaissance zones get exemptions from the single business tax, state and local income taxes, the state education tax, property taxes, various specific taxes, and the city utility users tax (a Detroit-only tax).

Analyst: C. Couch

■ 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.