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BILL ANALYSIS

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Senate Bill 400 (as enrolled)
House Bill 4629 (as enrolled)
Sponsor: Senator Jason E. Allen (S.B. 400)
Gary McDowell (H.B. 4629)
Senate Committee: Commerce and Tourism
House Committee: Commerce

PUBLIC ACT 12 of 2007
PUBLIC ACT 13 of 2007

Date Completed: 6-6-07

RATIONALE

A new company called Sovereign Deed, LLC plans to develop a national infrastructure for the delivery of catastrophic response services. In recent years, following Hurricanes Katrina and Rita on the Gulf Coast and the September 11 terrorist attacks in New York City, the public system for disaster relief has been heavily burdened. The principals involved with Sovereign Deed see an opportunity to provide privatized catastrophic relief to supplement public efforts. The company intends to establish a number of local and regional response centers throughout the United States and one national response center for the country. Reportedly, the regional airport in Emmet County's McKinley Township, just outside the Village of Pellston in northern Michigan, is one of three finalist sites for Sovereign Deed's national response center. Local and State economic development officials are attempting to assemble a package of incentives to encourage the company to choose Michigan, rather than one of the other finalist sites in Wisconsin or Illinois.

In addition, the Michigan International Speedway (MIS) in southern Michigan is one of 12 automobile race tracks in various states that are owned by International Speedway Corporation (ISC). This parent company reportedly is planning to spend \$80 million for improvements to the tracks but has yet to decide how to distribute that money. The MIS is a major taxpayer in three townships (Franklin and Cambridge Townships in Lenawee County and Columbia Township in Jackson County) and

contributes to the area's economy by hosting auto racing events that draw tens of thousands of spectators from within and outside of Michigan. Some people believe that providing an economic development incentive will help the MIS to attract a sizeable portion of the money that the ISC has allotted for capital improvements at its auto race tracks.

The plant rehabilitation and industrial development Act, commonly referred to as PA 198, allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. A certificate essentially grants a property tax abatement for industrial property, which is subject to an industrial facilities tax that is lower than standard property taxes. It was suggested that a tax break offered under PA 198 could be a critical incentive in attracting Sovereign Deed's national response center to the Pellston Regional Airport and in securing capital investment by ISC for the Michigan International Speedway.

CONTENT

Senate Bill 400 and House Bill 4629 amended the plant rehabilitation and industrial development Act to include the operation of a "strategic response center" and the operation of a "motorsports entertainment complex" in the Act's definition of "industrial property".

The bills were tie-barred and took effect on May 29, 2007.

Senate Bill 400

The bill added the operation of a "strategic response center" and the operation of a "motorsports entertainment complex" to the Act's definition of "industrial property".

Under the bill, "motorsports entertainment complex" means a closed-course motorsports facility, and its ancillary grounds and facilities, that satisfies all of the following criteria:

- Has at least 70,000 fixed seats for race patrons.
- Has at least six scheduled days of motorsports events each calendar year, at least two of which are comparable to NASCAR Nextel Cup events held in 2007 or their successor events.
- Engages in tourism promotion.
- Has permanent exhibitions of motorsports history, events, or vehicles.

Also, food and beverages must be served at the facility during sanctioned events each calendar year through concession outlets, a majority of which are staffed by individuals who represent or are members of one or more nonprofit civic or charitable organizations that directly financially benefit from the concession outlets' sales.

House Bill 4629

The bill defines "strategic response center" as a facility that provides catastrophe response solutions through the development and staffing of a national response center for which a plant rehabilitation or industrial development district is created before December 31, 2007.

MCL 207.552 (S.B. 400)
207.553 (H.B. 4629)

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

By including a strategic response center in the Act's definition of industrial property, the Senate bill makes such a facility eligible for

an industrial facilities exemption certificate if the local unit establishes a plant rehabilitation district or an industrial development district by December 31, 2007. This will allow McKinley Township to create a district and offer Sovereign Deed a tax break as part of the incentive package proposed by State and local officials to draw the company's national response center to the Pellston Regional Airport.

According to a Sovereign Deed document, "National Response Center Search" (2006), the national response center will involve the development of facilities for an aviation operations base, a product distribution center, a national operations center, and a national training center. The company has estimated that its national response center initially will create at least 40 new jobs, which reportedly will pay an average of \$22 per hour. As the company grows, employment opportunities will expand and many more jobs likely will be created. The facility and its employees will contribute to the economy and tax base of the area where it locates, and the national training center will introduce new visitors to the area on an ongoing basis.

Sovereign Deed will need to make a considerable investment in the infrastructure wherever it decides to locate its national response center. Offering the company a comprehensive incentive package that includes a PA 198 tax break is crucial for Michigan to compete with sites in Wisconsin and Illinois to attract the response center and the facilities it will include. Economic development officials believe this measure will add over \$5 million to an incentive package previously valued at about \$5 million to \$6 million, and may make the difference in Sovereign Deed's decision of where to locate its national response center.

Supporting Argument

Michigan International Speedway is one of the country's premier auto racing facilities, and is expected to host more than 500,000 fans during three race weekends in 2007. Attracting spectators from Michigan and other states, the facility is a major contributor to the economy of the southern Michigan region and provides significant revenue to the State and local units through its tax payments. The MIS management team focuses on facility improvements to keep the track viable and competitive in the

auto racing arena. To that end, MIS officials would like to draw on capital improvement money being made available by the ISC for its various race tracks around the country. Local officials in Columbia, Cambridge, and Franklin Townships reportedly are eager to help the race track take advantage of this funding opportunity. By authorizing local units to provide PA 198 tax breaks for a motorsports entertainment complex, the bills will assist MIS officials to attract funding for improvements from the race track's parent company.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills will reduce local unit revenue and increase School Aid Fund expenditures by an unknown amount, depending upon how many exemption certificates are issued under the provisions added by the bills and the specific characteristics of the properties receiving certificates. The change in revenue will reflect the impact relative to whether a new facility or rehabilitation would occur absent the bills. Because the provisions in the bills will affect a limited number of areas, the fiscal impact on the State likely will be negligible. However, the foregone revenue to a particular local unit affected by the bills may be more substantial.

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.