

Legislative Analysis



BROWNFIELD ACT: ECONOMIC OPPORTUNITY ZONE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5471 (Substitute H-1)
Sponsor: Rep. Dave Hildenbrand
Committee: Commerce

Complete to 12-6-05

A SUMMARY OF HOUSE BILL 5471 AS REPORTED FROM COMMITTEE

The bill would amend the Brownfield Redevelopment Financing Act to add the concept of an "economic opportunity zone." Under the brownfield redevelopment program, local units of government can create special authorities and develop special plans and then use tax increment finance mechanisms, single business tax (SBT) credits, and property tax abatements to promote investment.

The term "economic opportunity zone" would refer to one or more parcels of property that meet all of the following criteria:

- Together, they are 40 or more acres in size.
- They contain a manufacturing facility consisting of 500,000 or more square feet.
- They are located in a municipality with a population of 30,000 or less and that is contiguous to a qualified local governmental unit. (The term "qualified local governmental unit" is defined in the Obsolete Property Rehabilitation Act; that definition leads to a lengthy list of what are known as "core communities.")

Under the bill, the following activities in such a zone, in addition to environmental cleanup activities, would be eligible activities for the purposes of TIFA funding and SBT investment credits: infrastructure improvements directly benefiting the property; demolition of structures; lead or asbestos abatement; and site preparation. School operating taxes could not be captured.

MCL 125.2652

FISCAL IMPACT:

The fiscal impact should be an indeterminate decrease in Single Business Tax and state, local and school property tax revenue. Estimating this revenue reduction would require the identification of specific sites and firms, and the estimated cost of environmental and other clean-up activities.

BACKGROUND INFORMATION:

While it is not yet known how many cases would be covered by the bill, there is one case in particular that the bill would address. It would apply to a recently abandoned

manufacturing plant in the City of Walker, adjacent to Grand Rapids. Walker is not on the list of "core communities" that are able to benefit from brownfield redevelopment programs, although it is contiguous to Grand Rapids, which is on the core communities list. This bill would allow Walker to qualify if certain specified criteria are met. According to committee testimony, an auto supplier in Grand Rapids is contemplating moving to the defunct facility in Walker as a means of expanding its business. The firm has no room to expand at its current Grand Rapids plant, company officials have said, although it has capacity at a plant in Kentucky. A commercial real estate developer is also interested in making use of some portion of the defunct manufacturing facility.

POSITIONS:

Among those testifying in support of the bill before the House Committee on Commerce were the Walker City Manager and representatives from GR Spring & Stamping, Inc; the Grand Rapids Chamber of Commerce; and Blue Bridge Ventures. The Grand Valley Metro Council also indicated support. (12-6-05)

The Michigan Economic Development Corporation (MEDC) is neutral on the bill. (12-6-05)

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

■ 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.