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Horn, Business Advocates Tout Need For Tax Incentive Bills

While the Michigan Economic Development Corporation has many tools to help revitalize Michigan and bring business to the state, it does not have the kind of tools that can bring large-scale, billion-dollar-type investments, business advocates said Wednesday, and that's why legislation being advocated by **Sen. Ken Horn** is so critically necessary.

"MEDC today has the Community Revitalization Program, and it's a very good tool but really only works for your smaller and mid-size projects," Jared Fleisher, VP of government affairs for Quicken Loans, told Gongwer News Service in an interview. "The average assistance is probably several hundred thousand dollars ... so that's great if you've got a 5, 10-million-dollar project. If you're talking about a 100, 500, billion-dollar project, obviously a few hundred thousand dollars in assistance isn't even going to come close to filling in the gap.

"That's what the recognition was across the state," Mr. Fleisher said. "There's no tool for large-scale transformational projects. This (legislation) was designed to solve a very specific, very important need."

The legislation he refers to is **SB 1061**, **SB 1062**, **SB 1063 SB 1064** and **SB 1065**, all of which were reported from Mr. Horn's (R-Frankenmuth) Senate Economic Development and International Investment Committee last month before the Legislature broke once more to focus on the November elections (See **Gongwer Michigan Report, September 20, 2016**).

The legislation would allow developers of large-scale projects to capture sales, use and state income tax revenue from within the development district attributable to the new development, with various caveats and with the approval of the local brownfield redevelopment authority and the Michigan Strategic Fund.

But it has faced some criticism since leaving committee given it would be a break from Michigan's tradition since **Governor Rick Snyder**'s first term in office of awarding virtually no tax incentives to attract economic development. And the Senate Fiscal Agency could not predict, at the time, how much of a hit the state's General Fund could take, except to say that it was "likely a significant amount."

However, Mr. Horn on Wednesday assured the state would not see such harm, pointing mostly to a provision in the legislation that requires any such development seeking this tax capture to be a "net fiscal gain" for the state of Michigan (the original bill did not include the term "fiscal," but Mr. Horn said that language has since been tightened up).

"This is no MEGA (Michigan Economic Growth Authority) credit," Mr. Horn said, referencing the tax incentives given out substantially under former Governor Jennifer Granholm that are now causing fiscal problems for the state because companies are finally able to cash them in.

"I voted for some of that stuff back in the day when we were bleeding manufacturing jobs. I get why we did it. But in hindsight, it's really hurt our treasury ... But this is where this bill differs: This isn't about tying credits into specific jobs. This is specifically about helping communities in areas where there is no growth," he said. "The benefit to this particular bill is that it starts out with an array of vetting that has to go on."

Indeed, the tax capture can only be approved if it meets certain circumstances. It's brownfield-based, so there has to be an agreement between the economic developers, the developer and the community itself, Mr. Horn said.

It also has to meet a test that says there has to be a net fiscal gain; a gap must be filled; there must be proof the development would not happen but for the incentive; and the incentive is limited to one per community and five in the state for a whole year.

Further, Mr. Horn said, schools, revenue sharing and infrastructure that currently draw from tax revenues would effectively be held harmless.

"You really couldn't design a sounder policy," Mr. Fleisher said. "The state has to do the underwriting analysis and say 'Is there a gap?' The language is very strict about it. Then they have to set standards for economic viability, and they can only approve as much capture as fills that gap and gets you to be viable. I've never seen any legislation in the state that is that rigorous, this test of, do you really need it?

"Then this second question is okay, you may need it, but is it a winner for the state? And the language is very strict in the bill that it has to be a moneymaker for the state," he said.

And as a practical matter, the legislation could substantially impact places like Saginaw County that have both rural and urban parts, JoAnn Crary with Saginaw Future said.

"When we're working with a developer, it's a lot easier to take a piece of farm land that nothing has happened on except farming for years and years," Ms. Crary said. "If we're trying to do a project in the city of Saginaw, to assemble a site … it's so much more expensive when you look at geotechnical, environmental, assembly and demolition of old factories that were there. When you take all those factors into consideration, to level the playing field, we need tools like this."

Both Saginaw Future and Quicken Loans are part of a broad coalition known as Mithrive that is supporting the legislation.

"Success begets success. When you have a transformational project that causes other people to move in … all of this leads to growth for the state of Michigan, and that's why I feel personally that this bill is so vitally important to us," Mr. Horn said.

ADVANCING THE BILLS: The bills currently await action on the Senate floor. The Senate meets next week for three days before once more taking a break until after the November election.

At the time the bills moved out of Mr. Horn's committee, the administration of **Governor Rick Snyder** said it was still reviewing the bills and was pretty open-minded about them. Mr. Horn said that is still the case, and he and others are working on minor language changes or educating those who would be involved in moving the bill along or signing it.

"The last I've heard is that they're keeping an open mind," Mr. Horn said of the administration. "From our leadership perspective, as long as we have either the governor's office or the House working with us - we need one more leg of the three-legged stool - and I'm (working on) the House."

Mr. Horn said he has also been talking with Rep. Joe Graves (R-Linden), chair of the House Commerce and Trade Committee, where the bills would likely go once they clear the Senate.

"Once we get word that he's got committee hearings, that he'll take this up and try to move it in a positive way, then the Senate will move it along to him," Mr. Horn said.

And after unanimous approval from his committee, Mr. Horn seemed confident the bill should not face any substantial problems in the Senate itself.
