

Downtown Revitalization Package

SHORT SUMMARY:

Last spring, the Senate Commerce Committee held several field hearings across the state to listen and learn from business and community leaders on how to make downtowns more vibrant. The Committee visited Port Huron, Grand Rapids, Midland, Detroit and Kalamazoo. A package of nearly a dozen bills set for introduction next week came from ideas shared during these field hearings. The package provides tools for downtowns both big and small and as different as Rogers City, Grayling, Lapeer, Grand Rapids and Detroit.

WHY ARE DOWNTOWNS IMPORTANT

Downtowns are important symbols. They symbolize the economic health of a community, the partnership between the public and private sectors, local quality of life, local pride, and community history. Downtowns are good incubators for small business start-ups and a great location for independent businesses. Vibrant downtowns foster and attract innovative businesses. Downtowns are a key element in industrial, commercial and professional recruitment.

The United States' economy continues to transform from one driven by brawn to one driven by brains – commonly referred to as the “knowledge economy.” In this new paradigm, the importance of place is elevated. Businesses can choose the place where they *want* to locate rather than the place that has the physical infrastructure they need. In other words, if a location does not have “curb appeal” then knowledge-based businesses – and jobs -- can drive on by to the next town or state.

LEVERAGING DOWNTOWNS TO ATTRACT KNOWLEDGE-BASED BUSINESS & JOBS

Downtowns of all shapes and sizes play a key role in fostering new businesses, innovative businesses and creative businesses – knowledge-based businesses. The entrepreneurs who are the forces behind knowledge-based businesses want a wide variety of bars, restaurants, entertainment and cultural activities where they live and they want to live in the middle of everything. Essentially, these entrepreneurs want to run their businesses in a place where work, play, living and socializing intersect.

Downtowns across Michigan, both large and small must reinvent themselves to attract businesses that will be the backbone of the 21st Century economy. Vibrant downtowns are one important component to a prosperous future for Michigan.

Vibrant downtowns can be large or small. They are multidimensional providing a mixture of complimentary uses in a concentrated area. They include housing, commercial and retail entities that ensure traffic that flows at different times of the day, 7 days per week. Vibrant downtowns are made up of buildings that vary in age and condition. Vibrant downtowns are incubators for small business start-ups and independent businesses.

The elements of the downtown package provide additional tools to assist in efforts to reinvent and reinvigorate downtowns across Michigan. These tools will help attract both business and people to the downtowns, which in turn helps the economy as a whole because a thriving downtown makes communities more interesting to potential job providers in knowledge based sectors.

Commerce Committee Package

Amend the downtown development act to allow DDAs to operate retail business incubators. Requires preference for tenants who will provide goods and services that aren't available or that are underserved in the downtown. (Request # 3104)

Create a retail renaissance zone category to stimulate development of rundown portions of downtowns. These must be designated by October 1, 2008 and are limited to cities and villages. The zones are designated at the request of the city or village and would be approved by the Michigan Strategic Fund. (Request # 1478)

Amend the Michigan Economic Growth Authority Act to allow for MEGA credits to eligible businesses that redevelop a historic structure located in a downtown. The credit will be based upon the number of jobs created within the redeveloped structure including retail jobs.

Amend the general property tax act so the tax rate for downtown condos and apartments remains at pre-development levels until the units are sold or rented. This change removes a barrier to the development of residential property in downtowns. (Request # 4343)

Amend the neighborhood enterprise zone act to allow its use in downtowns for apartments and other residential structures. Under current law, a NEZ must contain 10 parcels of land which doesn't work in a downtown setting. Property with a NEZ certificate either pays ½ the property tax based on the statewide average or pays 100% on the pre-development value for up to 12 years. (Request # 2559)

Amend the downtown development authority act to allow a DDA to create and operate a loan fund to help building owners make improvements to existing buildings including facades. This creates an option for building owners who may not have the capital to upgrade buildings to attract tenants. It is also an option to address eyesores in downtowns. (Request # 3605)

Amends the neighborhood enterprise zone act to allow it to be used to renovate or build hotels to bring visitors to downtown areas. (Request # 4206)

Amend the Natural Resources Trust Fund Act to require the Trust Fund Board to give additional consideration to trails that intersect downtowns when determining funding priorities. Development of urban trails will bring people and activity to downtowns. (Request # 4340)

Reactivate the Commercial Redevelopment Act in the downtowns of cities and village so that there is a tool to provide tax abatements for knowledge-based businesses. While PA 198 exists for industrial property and the technology park development act targets technology-based businesses, there is currently no tool to encourage the establishment of knowledge-based business. The bill also removes abatement of the school tax since commercial property is already given a 50% abatement in the MBT. (Request # 4344)

Amend the liquor control act to allow a business to pay an increased fee to get expedited processing of their liquor permit by the Liquor Control Commission. The cost would be \$500 for 10 day processing and \$1000 for 5 day processing. The bill allows the LCC to share some of the fee revenue with the MSP to expedite finger print processing portion of the application process as well. The bill does not impact the processing times of the local units. However, it seems that they would have the greatest incentive to quickly process liquor permits since these businesses are important to them. (Request # 4342)

Amend the smartzone statute to accelerate Michigan's ability to increase the capability and capacity to create new ideas, processes and products. Create parcel specific satellite districts in smartzone communities with TIF capture capability. Use funds to commercialize knowledge-based products or processes, development and patenting or proprietary products, and purchase & integration of proprietary knowledge into products or processes. (Request # 4843)

Expand local government's ability to exempt personal property to distressed parcels to encourage redevelopment of rundown parcels in downtowns. Current law allows this type of exempt in existing districts like PA 198, brownfield zones, DDAs and empowerment zones. Including distressed parcels will allow local units to target the incentive and may encourage greater use of the tool to develop blighted properties in downtowns. A distressed parcel is one located in a downtown that is either vacant or functionally obsolete and is zoned for mixed use. (Request # 4345)

Amend the MBT historic tax credit to allow its use for condominium development, make it fully transferable like the brownfield tax credit, and make the state credit an addition to the federal credit instead of limiting the total credits to 25 percent. (Request # 5375)

Amend the downtown development act to grant DDAs express permission to assist with leaseholder's improvements for retail, authorize DDAs to fund activities that are also brownfield eligible activities to eliminate the need to remove property from a DDA and define acquisition of equipment and materials to support cultural institutions as investments in a public facility. (Request # 4021)

Downtown Revitalization Package Explainer

Urban Recreation Trails (4340)

Amend the Natural Resources Trust Fund Act to require the Trust Fund Board to give additional consideration to trails that intersect downtowns when determining funding priorities. Development of urban trails will bring people and activity to downtowns. (Midland)

Encouraging Downtowns as Destinations (4206)

Amends the neighborhood enterprise zone act to allow it to be used to renovate or build hotels to bring visitors to downtown areas. (Midland)

Encouraging Downtown Living (4343) (2559)

Amend the general property tax act so the tax rate for downtown condos and apartments remains at pre-development levels until the units are sold or rented. Removes a barrier to the development of residential property in downtowns. Currently, the pop-up happens after a property has additions or improvements. This will move the pop-up to after the property is sold or rented. The intention is to allow the developer to make the improvements but not have to pay more on the property, but will still retain the pop-up for locals. (Grand Rapids)

Amend the neighborhood enterprise zone act to allow its use in downtowns for apartments and other residential structures. Under current law, a NEZ must contain 10 parcels of land which doesn't work in a downtown setting. Property with a NEZ certificate either pays ½ the property tax based on the statewide average or pays 100% on the pre-development value for up to 12 years. This will allow for an NEZ by parcel. (Detroit)

Increase Property Utilization (3605) (5375)

Allow for DDA loans by amending the downtown development authority act to allow a DDA to create and operate a loan fund to help building owners make improvements to existing buildings including facades. This creates an option for building owners who may not have the capital to upgrade buildings to attract tenants. It is also an option to address eyesores in downtowns. (Detroit)

Amend the MBT historic tax credit to allow its use for condominium development and make it fully transferable like the brownfield tax credit. (Grand Rapids)

Remove Barriers to Business Start-up (4342) (3104) (4843)

Amend the liquor control act to allow a business to pay an increased fee to get expedited processing of their liquor permit by the liquor control commission. The cost would be \$500 for 10 day processing and \$1000 for 5 day processing. We are exploring providing some of the revenue to MSP to expedite finger print processing. However, we cannot promise expedited processing by locals. (Midland)

Amend the downtown development act to allow DDAs to operate retail business incubators. DDA's will be able to own storefront property and businesses will be allowed to occupy that property on a temporary basis (1-2 years) in order to get up and running. The incubator will be a cheap lease, and will require the business to have some sort of collaborative marketing or education (similar to the tool and die renaissance zones). Requires preference for tenants who will provide goods and services that aren't available or that are underserved in the downtown. (Grand Rapids)

Amend the smartzone statute to accelerate Michigan's ability to increase the capability and capacity to create new ideas, processes and products. Create parcel specific satellite districts in smartzone communities with TIF capture capability. Use funds to commercialize knowledge-based products or processes, development and patenting or proprietary products, and purchase & integration of proprietary knowledge into products or processes. (Grand Rapids)

Encourage Downtown Redevelopment (1478) (4344) (4345)

Create a retail renaissance zone category to stimulate development of rundown portions of downtowns. These must be designated by October 1, 2008 and are limited to cities and villages. The zones are designated at the request of the city or village and the approved by the Michigan Strategic Fund.

Reactivate the Commercial Redevelopment Act in cities and village so that there is a tool to provide tax abatements for knowledge-based businesses. While PA 198 exists for industrial property and the technology park development act targets technology-based businesses, there is currently no tool to encourage the development of knowledge-based business. The bill also removes abatement of the school tax since commercial property is already given a 50% abatement in the MBT.

Expand local government's ability to exempt personal property to distressed parcels to encourage redevelopment of rundown parcels in downtowns. A distressed parcel is one located in a downtown that is either vacant or functionally obsolete and is zoned for mixed use. (Midland)

Increase Viability of Downtown Retail (4021)

Amend the downtown development act to grant DDAs express permission to assist with leaseholder's improvements for retail, authorize DDAs to fund activities that are also brownfield eligible activities to eliminate the need to remove property from a DDA and define acquisition of equipment and materials to support cultural institutions as investments in a public facility. Because overlapping TIF districts are not permissible, this will create flexibility in how the captured taxes are used (Grand Rapids)

Allow locals to waive a DDA millage on residential property, if they chose to. This is needed because of the already high cost of housing, and the fact that residents typically don't benefit from DDA activities.