

SENATE BILL No. 527

November 3, 1987, Introduced by Senators HOLMES and O'BRIEN
and referred to the Committee on Finance.

A bill to provide for the development and rehabilitation of residential housing for low income and moderate income persons in certain areas; to provide for exemption from certain taxes; to provide for obtaining residential facilities exemption certificates and to prescribe the contents of the certificates; to levy and collect a specific tax upon the owners of certain facilities; to provide for the disposition of the tax; to prescribe the powers and duties of the state tax commission, the state housing development authority, and certain officers of the state and local governmental units; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Authority" means the state housing development
3 authority created in the state housing development authority act

1 of 1966, Act No. 346 of the Public Acts of 1966, being sections
2 125.1401 to 125.1498f of the Michigan Compiled Laws.

3 (b) "Commission" means the state tax commission created by
4 Act No. 360 of the Public Acts of 1927, being sections 209.101
5 to 209.107 of the Michigan Compiled Laws.

6 (c) "Local governmental unit" means a city that meets either
7 of the following criteria:

8 (i) Has a total population of 7,500 or more and 25% or more
9 of that population has poverty status as defined by the United
10 States department of commerce bureau of the census.

11 (ii) Has a total population of 15,000 or more and a minority
12 population of 25% or more. "Minority" includes black, American
13 Indian, Eskimo, Aleut, Asian, Pacific Islander, or Spanish
14 origin.

15 (d) "Low income person" means a self-supporting individual
16 whose income is below 125% of poverty as defined annually by the
17 United States office of management and budget.

18 (e) "Moderate income person" means that term as defined in
19 section 11 of the state housing development authority act of
20 1966, Act No. 346 of the Public Acts of 1966, being section
21 125.1411 of the Michigan Compiled Laws.

22 (f) "New facility" means a new structure that has as its
23 primary purpose residential housing consisting of 1 or 2 units.

24 (g) "Residential facilities exemption certificate" means a
25 certificate issued pursuant to sections 4, 5, and 6.

26 Sec. 2. (1) A local governmental unit, by resolution of its
27 legislative body, may determine a designated area or areas within

1 that local governmental unit that are in need of recreating a
2 neighborhood and a more stable tax base. The city shall make a
3 determination that each designated area has an adequate infra-
4 structure and sufficient viability so that the addition or
5 improvement of housing in that area will minimally stabilize the
6 area. The objective of the addition or improvement of housing
7 shall be to revitalize and enhance the designated socio-economic
8 indicators, especially the retention and creation of new business
9 and jobs, and the enhancement of the quality of life of the area
10 residents in a quantifiable manner.

11 (2) The local governmental unit shall notify the state hous-
12 ing development authority of a proposed designated area for
13 redevelopment. The authority shall then conduct an impact study
14 regarding that area. The local governmental unit shall not con-
15 tinue with redevelopment of the designated area under this act
16 unless the authority certifies to the commission that the desig-
17 nated area has a barren tax base with little or no tax collect-
18 ible property and that redevelopment will help limit or reverse
19 the deterioration of the area.

20 Sec. 3. A local governmental unit, by resolution of its
21 legislative body, may approve a residential facilities exemption
22 certificate in a designated area under section 2.

23 Sec. 4. (1) The prospective owner of a proposed new facil-
24 ity or an owner proposing to rehabilitate his or her property
25 located within a designated area under section 2 who is a low
26 income or moderate income person may file an application for a
27 residential facilities exemption certificate with the clerk of

1 the local governmental unit. The application shall be filed in
2 the manner and form prescribed by the commission. The applica-
3 tion shall contain or be accompanied by a general description of
4 the new facility or proposed rehabilitation, the general nature
5 and extent of the construction to be undertaken, a time schedule
6 for undertaking and completing the rehabilitation of property or
7 the construction of the new facility, an estimate of the amount
8 of construction to be completed by the prospective owner or mem-
9 bers of the prospective owner's family or the amount of materials
10 and labor provided in the rehabilitation of the facility by the
11 owner or members of the owner's family, and information relating
12 to the requirements of section 8.

13 (2) Upon receipt of an application for a residential facili-
14 ties exemption certificate, the clerk of the local governmental
15 unit shall give written notice to the assessor of the assessing
16 unit in which the new facility or rehabilitated facility is to be
17 located, and to the legislative body of each taxing unit that
18 levies ad valorem property taxes in the local governmental unit
19 in which the new facility or rehabilitated facility is to be
20 located. Before acting upon the application, the legislative
21 body of the local governmental unit shall afford the applicant,
22 the assessor, and a representative of the affected taxing units
23 an opportunity for a hearing.

24 Sec. 5. Not more than 60 days after receipt by its clerk of
25 an application under section 4, the legislative body of the local
26 governmental unit by resolution shall either approve or
27 disapprove the application for a residential facilities exemption

1 certificate in accordance with section 8 and the other provisions
2 of this act. If disapproved, the reasons shall be set forth in
3 writing in the resolution, and the clerk shall return the appli-
4 cation to the applicant. If approved, the clerk shall forward
5 the application to the commission.

6 Sec. 6. (1) Not later than 60 days after receipt of an
7 approved application, the commission shall determine whether the
8 structure is to be used primarily as a new facility and otherwise
9 complies with section 8 and the other provisions of this act.
10 For a rehabilitated facility, the commission shall determine if
11 the facility complies with section 8. If the commission so
12 finds, it shall issue a residential facilities exemption
13 certificate. Before issuing a certificate, the commission shall
14 obtain the written concurrence of the department of commerce that
15 the application complies with the requirements of section 8 when
16 applicable. The effective date of the certificate shall be the
17 December 31 following the date of issuance of the certificate.

18 (2) Upon issuance of a residential facilities exemption cer-
19 tificate, the commission shall send the certificate by certified
20 mail to the applicant and a certified copy by certified mail to
21 the assessor of the assessing unit in which the new facility or
22 rehabilitated facility is to be located. The copy shall be filed
23 on record in the assessor's office. Notice of the commission's
24 refusal to issue a certificate shall be sent by certified mail to
25 the same persons.

26 Sec. 7. (1) A new facility or a rehabilitated facility for
27 which a residential facilities exemption certificate is in

1 effect, but not the land on which the new facility or
2 rehabilitated facility is located, shall be exempt from ad
3 valorem real and personal property taxes imposed under the gen-
4 eral property tax act, Act No. 206 of the Public Acts of 1893,
5 being sections 211.1 to 211.157 of the Michigan Compiled Laws,
6 for the period beginning on the effective date of the certificate
7 and continuing so long as the residential facilities exemption
8 certificate is in force.

9 (2) The owner of a new facility or rehabilitated facility
10 exempt from the ad valorem real and personal property taxes as
11 provided in this section shall pay an annual specific tax to be
12 known as the residential facilities tax. The tax for a new
13 facility shall be determined by multiplying the state equalized
14 value of the new facility, not including the land, by 1/4 of the
15 total mills levied as ad valorem taxes for that year by all
16 taxing units within which the facility is situated or the amount
17 of the ad valorem real property tax paid by owners of similar
18 structures located within 1,000 feet of the new facility, which-
19 ever is less. The tax for a rehabilitated facility shall be
20 determined by multiplying the state equalized value of the reha-
21 bilitated facility, not including the land, in the year immedi-
22 ately prior to the first year in which the residential facilities
23 exemption certificate is in effect by the total mills levied as
24 ad valorem taxes for the year by all taxing units within which
25 the facility is situated. The residential facilities tax shall
26 be collected, assessed, and disbursed in the same manner as
27 provided for the collection, assessment, and disbursement of the

1 commercial facilities tax in section 12(5) of Act No. 255 of the
2 Public Acts of 1978, being section 207.662 of the Michigan
3 Compiled Laws, and shall be a lien until paid on the real prop-
4 erty to which the certificate is applicable in the same manner as
5 provided in section 13 of Act No. 255 of the Public Acts of 1978,
6 being section 207.663 of the Michigan Compiled Laws. The legis-
7 lative body of the local governmental unit may waive the payment
8 of the residential facilities tax. The issuance of a residential
9 facilities exemption certificate may be made conditional upon the
10 annual payment of the residential facilities tax imposed pursuant
11 to this section.

12 Sec. 8. (1) In its resolution approving an application for
13 a residential facilities exemption certificate, the legislative
14 body of the local governmental unit shall set forth a finding and
15 determination that the granting of the residential facilities
16 exemption certificate, considered together with the aggregate
17 amount of residential facilities exemption certificates previ-
18 ously granted and currently in force, shall not have the effect
19 of substantially impeding the operation of the local governmental
20 unit or impairing the financial soundness of a taxing unit which
21 levies an ad valorem property tax in the local governmental unit
22 in which the new facility is to be located. If the state equal-
23 ized valuation of property proposed to be exempt pursuant to an
24 application under consideration, considered together with the
25 aggregate state equalized valuation of property exempt under res-
26 idential facilities exemption certificates previously granted and
27 currently in force, industrial facilities exemption certificates

1 granted under Act No. 198 of the Public Acts of 1974, being
2 sections 207.551 to 207.571 of the Michigan Compiled Laws, and
3 currently in force, and commercial facilities exemption certifi-
4 cates granted under the commercial redevelopment act, Act No. 255
5 of the Public Acts of 1978, being sections 207.651 to 207.668 of
6 the Michigan Compiled Laws, and currently in force, exceeds 5% of
7 the state equalized valuation of the local governmental unit, the
8 commission, with the approval of the state treasurer, shall make
9 a separate finding and shall include a statement in its resolu-
10 tion approving the residential facilities exemption certificate
11 that exceeding the 5% amount shall not have the effect of sub-
12 stantially impeding the operation of the local governmental unit
13 or impairing the financial soundness of an affected taxing unit.

14 (2) The legislative body of the local governmental unit
15 shall not approve an application and the commission shall not
16 grant a residential facilities exemption certificate for a new
17 facility unless the applicant complies with all of the following
18 requirements:

19 (a) The application relates to a construction program that
20 when completed constitutes a new facility.

21 (b) The new facility has not yet been occupied.

22 (c) The prospective owner of the new facility or members of
23 the prospective owner's family will personally contribute physi-
24 cal labor, materials, or both, in the construction of the new
25 facility. The contribution of physical labor, materials, or
26 both, shall be equal to 10% of the value of the new facility as
27 calculated by the authority.

1 (d) The new facility will be located on previously empty
2 land or where otherwise abandoned buildings were previously
3 located creating a future increased tax base.

4 (3) The legislative body of the local governmental unit
5 shall not approve an application and the commission shall not
6 grant a residential facilities exemption certificate for a reha-
7 bilitated facility unless the applicant complies with all of the
8 following requirements:

9 (a) The applicant proposes sufficient construction that
10 would qualify for a new mortgage according to the authority in
11 conjunction with local code requirements.

12 (b) The owner of the proposed rehabilitated facility or mem-
13 bers of the owner's family will personally contribute physical
14 labor, materials, or both, in the rehabilitation of the
15 facility. The contribution of physical labor, materials, or
16 both, shall be equal to 10% of the value of the improvement as
17 calculated by the authority.

18 Sec. 9. The assessor of each city or township in which
19 there is a new facility or a rehabilitated facility for which 1
20 or more residential facilities exemption certificates are issued
21 and in effect shall determine annually as of December 31 the
22 value of each new facility and rehabilitated facility separately,
23 both for real and personal property, having the benefit of the
24 certificates. Upon receipt of notice of the filing of an appli-
25 cation for the issuance of a residential facilities exemption
26 certificate, the assessor of each city or township shall
27 determine and furnish to the local legislative body and the

1 commission the value of the property to which the application
2 pertains and other information necessary to permit the local leg-
3 islative body and the commission to make the determination
4 required by section 8(1).

5 Sec. 10. (1) Upon receipt of a request by certified mail to
6 the commission by the holder of a residential facilities exemp-
7 tion certificate requesting revocation of the certificate, the
8 commission by order shall revoke the certificate.

9 (2) The legislative body of a local governmental unit by
10 resolution may request the commission to revoke the residential
11 facilities exemption certificate of a new facility upon the
12 grounds that completion of the new facility or the rehabilitation
13 of a facility has not occurred within 2 years after the effective
14 date of the certificate if an extension is not granted by the
15 local governmental unit; that the holder of the certificate
16 failed to proceed in good faith with the construction or rehabil-
17 itation of the facility in a manner consistent with the purposes
18 of this act, in the absence of circumstances that are beyond the
19 control of the holder; or that the physical labor, materials, or
20 both, provided by the owner or owner's family members did not
21 equal in value 10% of the value of the new facility or of the
22 improvement to a rehabilitated facility as calculated and deter-
23 mined by an inspection by the authority at the completion of the
24 work.

25 (3) Upon receipt of the resolution, the commission shall
26 give written notice by certified mail to the holder of the
27 residential facilities exemption certificate, to the local

1 legislative body, to the assessor of the assessing unit, and to
2 the legislative body of each local taxing unit that levies taxes
3 upon property in the local governmental unit in which the new
4 facility is located. The commission shall provide the holder of
5 the certificate, the local legislative body, the assessor, and a
6 representative of the legislative body of each taxing unit an
7 opportunity for a hearing. If the commission finds that comple-
8 tion of the new facility has not occurred within 2 years after
9 the effective date of the certificate, that the holder of the
10 certificate has not proceeded in good faith with the construction
11 of the facility in a manner consistent with the purposes of this
12 act, in the absence of circumstances that are beyond the control
13 of the holder, or that the physical labor, materials, or both,
14 provided by the owner or owner's family members did not equal in
15 value 10% of the value of the new facility or of the improvement
16 to a rehabilitated facility, the commission by order shall revoke
17 the certificate.

18 (4) The order of the commission revoking the residential
19 facilities exemption certificate shall be effective beginning the
20 December 31 following the date of the order. The commission
21 shall send by certified mail copies of its order of revocation to
22 the holder of the certificate, to the local legislative body, to
23 the assessor of the assessing unit in which the new facility or
24 rehabilitated facility is located, and to the legislative body of
25 each taxing unit that levies taxes upon property in the local
26 governmental unit in which the new facility or rehabilitated
27 facility is located.

1 Sec. 11. (1) Unless earlier revoked as provided in section
2 10, a residential facilities exemption certificate shall remain
3 in effect for a period to be determined by the legislative body
4 of the local governmental unit and commencing with its effective
5 date and ending on the December 31 following the time the initial
6 owner's mortgage is paid, or the date the owner leases the prop-
7 erty, whichever is first.

8 (2) The date of issuance of a certificate of occupancy, if
9 one is required, by the appropriate municipal authority shall be
10 the date of completion of the new facility.

11 Sec. 12. (1) The assessor of each city or township in which
12 is located a new facility or a rehabilitated facility for which a
13 residential facilities exemption certificate is in effect shall
14 determine annually, with respect to each new facility and reha-
15 bilitated facility, an assessment of the real and personal prop-
16 erty comprising the facility having the benefit of a residential
17 facilities exemption certificate that would have been made under
18 the general property tax act, Act No. 206 of the Public Acts of
19 1893, being sections 211.1 to 211.157 of the Michigan Compiled
20 Laws, if the certificate had not been in force. A holder of a
21 residential facilities exemption certificate shall furnish to the
22 assessor the information necessary for the determination.

23 (2) After making the determination, the assessor shall annu-
24 ally notify the commission, the legislative body of each taxing
25 unit that levies taxes upon property in the city or township in
26 which the new facility or rehabilitated facility is located, and
27 the holder of the residential facilities exemption certificate of

1 the determination, separately stating the determinations for real
2 property and personal property. The notice shall be sent by cer-
3 tified mail not later than October 15 and shall be based upon the
4 valuation as of the preceding December 31.

5 Sec. 13. The commission may promulgate rules necessary for
6 the administration of this act pursuant to the administrative
7 procedures act of 1969, Act No. 306 of the Public Acts of 1969,
8 being sections 24.201 to 24.328 of the Michigan Compiled Laws.

9 Sec. 14. A residential facilities exemption certificate
10 shall be in the form the commission determines and shall contain
11 both of the following:

12 (a) A legal description of the real property on which the
13 new facility is to be located or the legal description of the
14 rehabilitated property.

15 (b) A statement that unless revoked as provided in this act
16 the residential facilities exemption certificate shall remain in
17 effect for the period stated in the certificate.

18 Sec. 15. A party aggrieved by the issuance, refusal to
19 issue, revocation, or modification of a residential facilities
20 exemption certificate may appeal from the finding and order of
21 the commission in the manner and form and within the time pro-
22 vided by the administrative procedures act of 1969, Act No. 306
23 of the Public Acts of 1969, being sections 24.201 to 24.328 of
24 the Michigan Compiled Laws.

25 Sec. 16. The authority shall issue a report to the legisla-
26 ture and the office of the governor within 10 years after the
27 granting of the first residential facilities exemption

1 certificate evaluating this program to determine whether the
2 granting of residential facilities exemption certificates has
3 resulted in the stabilization of designated areas, the upgrade
4 and revitalization of neighborhoods, an increase in availability
5 of jobs, and the achievement of providing safe and suitable hous-
6 ing for low and moderate income persons.