

SENATE BILL No. 500

September 24, 1991, Introduced by Senator HOLMES and referred to the Committee on Finance.

A bill to provide for the development and rehabilitation of residential housing in certain areas; to provide an 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; and to provide for the disposition of the tax; and 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.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Authority" means the state housing development author-
3 ity created by the state housing development authority act of
4 1966, Act No. 346 of the Public Acts of 1966, being sections
5 125.1401 to 125.1499c of the Michigan Compiled Laws.

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

4 (c) "Designated area" means an area for which the authority
5 has received from a local governmental unit a neighborhood part-
6 nership plan that establishes as a goal that at least 75% of the
7 property in the area will be brought to a safe and sanitary con-
8 dition and that enables the authority to determine that available
9 private, public, and authority resources will be combined in a
10 manner that assures a majority of the housing in the area will be
11 brought to a safe and sanitary condition. To qualify as a desig-
12 nated area, the area shall be in a local governmental unit and
13 either be within a census tract having a serious housing need or
14 in an area that meets all of the following criteria:

15 (i) The increase in the state equalized valuation of real
16 and personal property in the area is less than the increase in
17 the local governmental unit or the statewide average, whichever
18 is the lesser increase.

19 (ii) The poverty rate in the area is greater than the state-
20 wide average as determined by the most recent federal decennial
21 census.

22 (iii) The average income of the area is less than 80% of the
23 statewide or local governmental unit median, whichever is great-
24 er, as determined using the most recent federal decennial
25 census.

1 (iv) The percentage of overcrowded or underutilized housing
2 units in the local governmental unit is greater than the local
3 governmental unit average.

4 (d) "Local governmental unit" means a city that meets either
5 of the following criteria:

6 (i) Has a population of 14,000 or more and 65% or more of
7 owner occupied housing units within the city have a value of less
8 than \$20,000.00.

9 (ii) Has a population of 39,000 or more and 21% or more of
10 owner occupied housing units within the city have a value of less
11 than \$20,000.00.

12 (e) "Facility" means a structure that has as its primary
13 purpose residential housing consisting of 1 or 2 units.

14 (f) "Residential facilities exemption certificate" or
15 "certificate" means a certificate issued pursuant to sections 3,
16 4, and 5.

17 Sec. 2. A local governmental unit, by resolution of its
18 legislative body, may approve a residential facilities exemption
19 certificate in a designated area.

20 Sec. 3. (1) The owner of a proposed new facility or an
21 owner proposing to rehabilitate his or her property located
22 within a designated area may file an application for a residen-
23 tial facilities exemption certificate with the clerk of the local
24 governmental unit. The application shall be filed in the manner
25 and form prescribed by the commission. The application shall
26 contain or be accompanied by a general description of the new
27 facility or proposed rehabilitation of the facility, the general

1 nature and extent of the construction to be undertaken, a time
2 schedule for undertaking and completing the rehabilitation of
3 property or the construction of the new facility, an estimate of
4 the amount of construction to be completed by the owner or mem-
5 bers of the owner's family or the amount of materials and labor
6 provided in the rehabilitation of the facility by the owner or
7 members of the owner's family, and information relating to the
8 requirements of section 7.

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

20 Sec. 4. Not more than 60 days after receipt by its clerk of
21 an application under section 3, the legislative body of the local
22 governmental unit by resolution shall either approve or disap-
23 prove the application for a residential facilities exemption cer-
24 tificate in accordance with section 7 and the other provisions of
25 this act. If disapproved, the reasons shall be set forth in
26 writing in the resolution, and the clerk shall return the

1 application to the applicant. If approved, the clerk shall
2 forward the application to the commission.

3 Sec. 5. (1) Not later than 60 days after receipt of an
4 approved application, the commission shall determine whether the
5 structure is to be used primarily as a new facility and otherwise
6 complies with section 7 and the other provisions of this act.
7 For a rehabilitated facility, the commission shall determine if
8 the facility complies with section 7. If the commission so
9 finds, it shall issue a residential facilities exemption
10 certificate. Before issuing the certificate, the commission
11 shall obtain the written concurrence of the department of com-
12 merce that the application complies with the requirements of sec-
13 tion 7 where applicable. The effective date of the certificate
14 shall be the December 31 following the date of issuance of the
15 certificate.

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

23 Sec. 6. (1) A new facility or a rehabilitated facility for
24 which a residential facilities exemption certificate is in
25 effect, but not the land on which the new facility or rehabili-
26 tated facility is located, is exempt from ad valorem real and
27 personal property taxes imposed under the general property tax

1 act, Act No. 206 of the Public Acts of 1893, being sections 211.1
2 to 211.157 of the Michigan Compiled Laws, for the period begin-
3 ning on the effective date of the certificate and continuing so
4 long as the certificate is in force.

5 (2) The owner of a new facility or rehabilitated facility
6 exempt from the ad valorem real and personal property taxes as
7 provided in this section shall pay an annual specific tax to be
8 known as the residential facilities tax. The tax for a new
9 facility shall be determined by multiplying the state equalized
10 valuation of the new facility, not including the land, by $1/5$ of
11 the total mills levied as ad valorem taxes for that year by all
12 taxing units within which the facility is situated. The tax for
13 a rehabilitated facility shall be determined by multiplying the
14 state equalized valuation of the rehabilitated facility, not
15 including the land, in the year immediately before the first year
16 in which the certificate is in effect by the total mills levied
17 as ad valorem taxes for the year by all taxing units within which
18 the facility is situated. The residential facilities tax shall
19 be collected, assessed, and disbursed in the same manner as pro-
20 vided for the collection, assessment, and disbursement of the
21 commercial facilities tax in section 12(5) of the commercial
22 redevelopment act Act No. 255 of the Public Acts of 1978, being
23 section 207.662 of the Michigan Compiled Laws, and shall be a
24 lien until paid on the real property to which the certificate is
25 applicable in the same manner as provided in section 13 of Act
26 No. 255 of the Public Acts of 1978, being section 207.663 of the
27 Michigan Compiled Laws. The issuance of a residential facilities

1 exemption certificate may be made conditional upon the annual
2 payment of the residential facilities tax imposed pursuant to
3 this section.

4 Sec. 7. (1) In its resolution approving an application for
5 a residential facilities exemption certificate, the legislative
6 body of the local governmental unit shall set forth a finding and
7 determination that the granting of the residential facilities
8 exemption certificate, considered together with the aggregate
9 amount of residential facilities exemption certificates previ-
10 ously granted and currently in force, shall not have the effect
11 of substantially impeding the operation of the local governmental
12 unit or impairing the financial soundness of a taxing unit that
13 levies an ad valorem property tax in the local governmental unit
14 in which the new facility is to be located. If the state equal-
15 ized valuation of property proposed to be exempt pursuant to an
16 application under consideration, considered together with the
17 aggregate state equalized valuation of property exempt under res-
18 idential facilities exemption certificates previously granted and
19 currently in force, industrial facilities exemption certificates
20 granted under Act No. 198 of the Public Acts of 1974, being sec-
21 tions 207.551 to 207.571 of the Michigan Compiled Laws, and cur-
22 rently in force, and commercial facilities exemption certificates
23 granted under the commercial redevelopment act, Act No. 255 of
24 the Public Acts of 1978, being sections 207.651 to 207.668 of the
25 Michigan Compiled Laws, and currently in force, exceeds 5% of the
26 state equalized valuation of the local governmental unit, the
27 commission, with the approval of the state treasurer, shall make

1 a separate finding and shall include a statement in its
2 resolution approving the residential facilities exemption certif-
3 icate that exceeding the 5% amount does not have the effect of
4 substantially impeding the operation of the local governmental
5 unit or impairing the financial soundness of an affected taxing
6 unit.

7 (2) The legislative body of the local governmental unit
8 shall not approve an application and the commission shall not
9 grant a residential facilities exemption certificate for a new
10 facility unless the applicant complies with all of the following
11 requirements:

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

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

15 (c) The owner of the proposed new facility or members of the
16 owner's family will personally contribute physical labor, materi-
17 als, or both, in the construction of the new facility. The con-
18 tribution of physical labor, materials, or both, shall be 10% or
19 less of the value of the new facility as calculated by the
20 authority.

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

24 (e) The new facility will be occupied as a permanent resi-
25 dence by the owner of the facility.

26 (3) The legislative body of the local governmental unit
27 shall not approve an application and the commission shall not

1 grant a residential facilities exemption certificate for a
2 rehabilitated facility unless the applicant complies with all of
3 the following requirements:

4 (a) The applicant proposes substantial construction or reha-
5 bilitation that will significantly improve the basic livability
6 of the home.

7 (b) The owner of the proposed rehabilitated facility or mem-
8 bers of the owner's family will personally contribute physical
9 labor, materials, or both, in the rehabilitation of the
10 facility. The contribution of physical labor, materials, or
11 both, shall be 10% or less of the value of the improvement as
12 calculated by the authority.

13 (c) The proposed rehabilitated facility will be occupied as
14 a permanent residence by the owner of the facility.

15 Sec. 8. The assessor of each local governmental unit in
16 which there is a new facility or a rehabilitated facility for
17 which 1 or more residential facilities exemption certificates are
18 issued and in effect shall determine annually as of December 31
19 the value of each new facility and rehabilitated facility sepa-
20 rately, both for real and personal property, having the benefit
21 of the certificates. Upon receipt of notice of the filing of an
22 application for the issuance of a residential facilities exemp-
23 tion certificate, the assessor shall determine and furnish to the
24 legislative body of the local governmental unit and the commis-
25 sion the value of the property to which the application pertains
26 and other information necessary to permit the legislative body

1 and the commission to make the determination required by section
2 7(1).

3 Sec. 9. (1) Upon receipt of a request by certified mail to
4 the commission by the holder of a residential facilities exemp-
5 tion certificate requesting revocation of the certificate, the
6 commission by order shall revoke the certificate.

7 (2) The legislative body of a local governmental unit by
8 resolution may request the commission to revoke the residential
9 facilities exemption certificate of a new facility or rehabili-
10 tated facility upon the grounds that completion of the new facil-
11 ity or the rehabilitation of a facility has not occurred within 2
12 years after the effective date of the certificate if an extension
13 is not granted by the local governmental unit; that the holder of
14 the certificate failed to proceed in good faith with the con-
15 struction or rehabilitation of the facility in a manner consis-
16 tent with the purposes of this act, in the absence of circum-
17 stances that are beyond the control of the holder; or that the
18 physical labor, materials, or both, provided by the owner or
19 owner's family members did not equal in value the percentage of
20 the value of the new facility or of the improvement to a rehabil-
21 itated facility as calculated and determined by an inspection by
22 the authority at the completion of the work that the owner pro-
23 posed in the application.

24 (3) Upon receipt of the resolution, the commission shall
25 give written notice by certified mail to the holder of the resi-
26 dential facilities exemption certificate, to the local
27 legislative body, to the assessor of the assessing unit, and to

1 the legislative body of each local taxing unit that levies taxes
2 upon property in the local governmental unit in which the new
3 facility or rehabilitated facility is located. The commission
4 shall provide the holder of the certificate, the local legisla-
5 tive body, the assessor, and a representative of the legislative
6 body of each taxing unit an opportunity for a hearing. If the
7 commission finds that completion of the new facility or rehabili-
8 tation has not occurred within 2 years after the effective date
9 of the certificate, that the holder of the certificate has not
10 proceeded in good faith with the construction or rehabilitation
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 the
15 percentage of the value of the new facility or of the improvement
16 to a rehabilitated facility that the owner proposed in the appli-
17 cation, the commission by order shall revoke the certificate.

18 (4) The order of the commission revoking the certificate
19 shall be effective beginning the December 31 following the date
20 of the order. The commission shall send by certified mail copies
21 of its order of revocation to the holder of the certificate, to
22 the legislative body of the local governmental unit, to the
23 assessor of the assessing unit in which the new facility or reha-
24 bilitated 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. 10. (1) Unless earlier revoked as provided in section
2 9, a residential facilities exemption certificate shall remain in
3 effect until December 31 of the year in which the owner no longer
4 resides in the facility or the year in which the owner's mortgage
5 is paid, whichever is first.

6 (2) The date of issuance of a certificate of occupancy by
7 the appropriate authority, if one is required, shall be the date
8 of completion of a new facility or rehabilitated facility.

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

21 (2) After making the determination, the assessor shall annu-
22 ally notify the commission, the legislative body of each taxing
23 unit that levies taxes upon property in the local governmental
24 unit in which the new facility or rehabilitated facility is
25 located, and the holder of the certificate of the determination,
26 separately stating the determinations for real property and
27 personal property. The notice shall be sent by certified mail

1 not later than October 15 and shall be based upon the valuation
2 as of the preceding December 31.

3 Sec. 12. The commission may promulgate rules necessary for
4 the administration of this act pursuant to the administrative
5 procedures act of 1969, Act No. 306 of the Public Acts of 1969,
6 being sections 24.201 to 24.328 of the Michigan Compiled Laws.

7 Sec. 13. A residential facilities exemption certificate
8 shall be in the form the commission determines and shall contain
9 both of the following:

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

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

16 Sec. 14. A party aggrieved by the issuance, refusal to
17 issue, revocation, or modification of a residential facilities
18 exemption certificate may appeal from the finding and order of
19 the commission in the manner and form and within the time pro-
20 vided by the administrative procedures act of 1969, Act No. 306
21 of the Public Acts of 1969, being sections 24.201 to 24.328 of
22 the Michigan Compiled Laws.

23 Sec. 15. The authority shall issue a report to the legisla-
24 ture and the office of the governor within 10 years after the
25 granting of the first residential facilities exemption certifi-
26 cate evaluating this program to determine whether the granting of
27 residential facilities exemption certificates has resulted in the

1 stabilization of designated areas, the upgrade and revitalization
2 of neighborhoods, an increase in availability of jobs, and the
3 achievement of providing safe and suitable housing for low and
4 moderate income persons.

5 Sec. 16. A residential facilities exemption certificate
6 shall not be granted after December 31, 2000, but a certificate
7 then in effect shall continue until the expiration of the
8 certificate.