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OBSOLETE PROPERTY REHABILITATION ACT

House Bill 5444

Sponsor: Rep. Cameron Brown

Committee: Economic Development

Complete to 2-28-00

A SUMMARY OF HOUSE BILL 5444 AS INTRODUCED 2-24-00

The bill would create a new act, the Obsolete Property Rehabilitation Act, which would allow tax abatements for commercial facilities undergoing rehabilitation and located in special districts that certain eligible cities would be authorized to establish.

The act would apply to a commercial facility, including multiunit commercial housing, that was blighted, functionally obsolete, or contaminated by hazardous substances. Such a facility (but not land or most personal property), if granted an exemption certificate, would be exempt from ad valorem property taxes and would instead pay a specific tax based on the value of the facility before it was rehabilitated. An exemption certificate could be granted for one to twelve years and would have to be approved by the local legislative body and the State Tax Commission. No more than 25 exemption certificates could be approved by the commission in any one year. No certificates could be granted after December 31, 2015.

A city would not be able to approve an exemption certificate unless the completion of the rehabilitated facility had the reasonably likelihood of increasing commercial activity, creating or retaining employment, or increasing the number of residents in the district; the applicant stated the rehabilitation would not be undertaken without the exemption certificate; the applicant was not delinquent in any taxes on the facility; and the rehabilitation of the facility began after the creation of the special district. Before the State Tax Commission approved or disapproved a certificate, the state treasurer, with the written concurrence of the Michigan Strategic Fund, would have to advise the commission whether the certificate was necessary to reduce unemployment, promote economic growth, and increase capital investment in the state.

An obsolete property rehabilitation district could be established in a city with a median family income of 150 percent or less of the statewide median family income as of the 1990 census that a) was the central city of a metropolitan area; b) was contiguous to a city with a population of 500,000 or more; c) had a population of 10,000 or more and was located outside of an urbanized area; or d) contained an eligible distressed area under the Michigan State Housing Development Authority Act.

An eligible city could, by resolution, establish one or more obsolete property rehabilitation districts. A district could consist of one or more parcels or tracts of land or a portion of a parcel or tract of land that was either obsolete property in an area characterized by obsolete commercial property or commercial housing property or commercial obsolete property owned by the local unit on the effective date of the new act and subsequently conveyed to a new owner.

The city could establish a rehabilitation district on its own initiative or at the written request of the owners of at least 50 percent of the taxable value of the property within the proposed district. The request would have to be filed with the local clerk. Before a district could be established, all property owners within the proposed district would have to be notified by certified mail and a public hearing held, with public notice provided at least 10 days and no more than 30 days beforehand.

Once a district was established, an owner or lessee of obsolete property could file an application for an exemption certificate with the local clerk. The application would have to contain or be accompanied by information about the obsolete facility and its intended use, the nature and extent of the proposed rehabilitation, a list of the fixed building equipment that would be part of the rehabilitation, a time schedule, a statement of the economic advantages expected from the exemption, including its effect on employment, and information about the meeting of building eligibility requirements. The city would have to notify the assessor and the legislative body of each affected taxing unit and hold a public hearing. A hearing on an exemption application could not be held at the same time as a hearing on a proposal to create a district.

The city would have 60 days after receiving an application to approve or disapprove it by resolution. If approved, the application would be sent to the State Tax Commission, which would also have 60 days to approve or disapprove. The duration of an exemption certificate could be from one to twelve years. If the duration was for less than 12 years, then the certificate could be reviewed by the city and extended (up to a total of 12 years). A certificate issued for less than 12 years would have to contain the factors, criteria, and objectives necessary for extending the time period. A local unit could revoke a certificate if the rehabilitation did not occur within the time authorized or if the holder of the certificate had not proceeded in good faith. With the approval of the local unit, an exemption certificate could be transferred to a new owner.

If the property proposed for an exemption, combined with the aggregate taxable value of property already exempt under the act or under the Plant Rehabilitation and Industrial Development Districts Act (also known as P.A.198), exceeded five percent of the taxable value in the local unit, the local legislative body would have to make a separate finding, to be included in the resolution approving the certificate, that exceeding that amount would not have the effect of substantially impeding the operation of the unit or impairing its fiscal soundness.

Annually, by October 15, each city granting an exemption would have to report to the State Tax Commission on the status of each exemption, including the current value of exempt property, the value on which the specific tax was based, an estimate of the number of jobs retained or created, and an estimate of new residents in exempt commercial housing units. The Department of Treasury would be required to submit a report annually to the committees in the House and Senate responsible for tax policy and economic development issues on the use of the districts based on the local reports.

After the act had been in effect for three years, the State Tax Commission would have to submit to the same committees an economic analysis of the costs and benefits of the act in the three local units in which it had been most heavily utilized.

The bill is tie-barred to Senate Bill 269 and to House Bills 4400, 5443, and 5445.

Analyst: C. Couch

■ 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.