



# HOUSE BILL No. 5444

February 24, 2000, Introduced by Reps. Cameron Brown, Raczkowski, LaSata, Kukuk, Hager, Kowall, Voorhees, Hart, Van Woerkom, Richardville, DeRossett, Shackleton, Julian, Bishop, Faunce, Middaugh, Gilbert, Garcia, Sanborn, Ruth Johnson, Rocca, Caul, Howell, Birkholz, Vander Roest, Bisbee and Pappageorge and referred to the Committee on Economic Development.

A bill to provide for the establishment of obsolete property rehabilitation districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of certain local government officials; and to provide penalties.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. This act shall be known and may be cited as the  
2 "obsolete property rehabilitation act".

3       Sec. 2. As used in this act:

1 (a) "Blighted" means that term as defined in section 2 of  
2 the brownfield redevelopment financing act, 1996 PA 381, MCL  
3 125.2652.

4 (b) "Commercial property" means land improvements classified  
5 by law for general ad valorem tax purposes as real property  
6 including real property assessable as personal property pursuant  
7 to sections 8(d) and 14(6) of the general property tax act, 1893  
8 PA 206, MCL 211.8 and 211.14, the primary purpose and use of  
9 which is the operation of a commercial business enterprise.  
10 Commercial property shall also include facilities related to a  
11 commercial business enterprise under the same ownership, includ-  
12 ing, but not limited to, office, engineering, research and devel-  
13 opment, warehousing, parts distribution, retail sales, and other  
14 commercial activities. Commercial property may be owned or  
15 leased, but only the owner of the commercial property is eligible  
16 for an exemption certificate issued pursuant to section 6.  
17 Commercial property does not include any of the following:

18 (i) Land.

19 (ii) Property of a public utility.

20 (c) "Commercial housing property" means that portion of real  
21 property not occupied by an owner of that real property that is  
22 classified as residential real property under section 34c of the  
23 general property tax act, 1893 PA 206, MCL 211.34c, is a  
24 multiple-unit dwelling, or is a dwelling unit in a  
25 multiple-purpose structure, used for residential purposes.  
26 Commercial housing property may be owned or leased, but only the

1 owner of the commercial housing property is eligible for an  
2 exemption certificate issued pursuant to section 6.

3 (d) "Commission" means the state tax commission created by  
4 1927 PA 360, MCL 209.101 to 209.107.

5 (e) "Department" means the department of treasury.

6 (f) "Facility", except as otherwise provided in this act,  
7 means a building or group of contiguous buildings built for com-  
8 mercial, commercial housing, or industrial purposes.

9 (g) "Functionally obsolete" means that term as defined in  
10 section 2 of the brownfield redevelopment financing act, 1996 PA  
11 381, MCL 125.2652.

12 (h) "Local governmental unit" means a city.

13 (i) "Obsolete properties tax" means the specific tax levied  
14 under this act.

15 (j) "Obsolete property" means commercial property or commer-  
16 cial housing property, that is 1 or more of the following:

17 (i) Blighted.

18 (ii) A facility as that term is defined under section 20101  
19 of the natural resources and environmental protection act, 1994  
20 PA 451, MCL 324.20101.

21 (iii) Functionally obsolete.

22 (k) "Obsolete property rehabilitation district" means an  
23 area of a qualified local governmental unit established as pro-  
24 vided in section 3. Only those properties within the district  
25 meeting the definition of "obsolete property" are eligible for an  
26 exemption certificate issued pursuant to section 6.

1 (l) "Obsolete property rehabilitation exemption certificate"  
2 or "certificate" means the certificate issued pursuant to section  
3 6.

4 (m) "Qualified local governmental unit" means a city with a  
5 median family income of 150% or less of the statewide median  
6 family income as reported in the 1990 federal decennial census  
7 that meets 1 or more of the following criteria:

8 (i) Contains or has within its borders an eligible dis-  
9 tressed area as that term is defined in section 1411(u)(ii) of  
10 the state housing development authority act of 1966, 1966 PA 346,  
11 MCL 125.1411.

12 (ii) Is contiguous to a city with a population of 500,000 or  
13 more.

14 (iii) Has a population of 10,000 or more that is located  
15 outside of an urbanized area as delineated by the United States  
16 bureau of the census.

17 (iv) Is the central city of a metropolitan area designated  
18 by the United States office of management and budget.

19 (n) "Rehabilitation" means changes to obsolete property  
20 other than replacement that are required to restore or modify the  
21 property, together with all appurtenances, to an economically  
22 efficient condition. Rehabilitation includes major renovation  
23 and modification including, but not necessarily limited to, the  
24 improvement of floor loads, correction of deficient or excessive  
25 height, new or improved fixed building equipment, including heat-  
26 ing, ventilation, and lighting, reducing multistory facilities to  
27 1 or 2 stories, improved structural support including

1 foundations, improved roof structure and cover, floor  
2 replacement, improved wall placement, improved exterior and  
3 interior appearance of buildings, and other physical changes  
4 required to restore or change the obsolete property to an econom-  
5 ically efficient condition. Rehabilitation shall not include  
6 improvements aggregating less than 10% of the true cash value of  
7 the property at commencement of the rehabilitation of the obso-  
8 lete property.

9       (o) "Rehabilitated facility" means a commercial property or  
10 commercial housing property that has undergone rehabilitation,  
11 including rehabilitation that changes the intended use of the  
12 building.

13       (p) "Taxable value" means the value determined under section  
14 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

15       Sec. 3. (1) A qualified local governmental unit, by resolu-  
16 tion of its legislative body, may establish 1 or more obsolete  
17 property rehabilitation districts that may consist of 1 or more  
18 parcels or tracts of land or a portion of a parcel or tract of  
19 land, if at the time the resolution is adopted, the parcel or  
20 tract of land or portion of a parcel or tract of land within the  
21 district is either of the following:

22       (a) Obsolete property in an area characterized by obsolete  
23 commercial property or commercial housing property.

24       (b) Commercial property that is obsolete property that was  
25 owned by a qualified local governmental unit on the effective  
26 date of this act, and subsequently conveyed to a private owner.

1       (2) The legislative body of a qualified local governmental  
2 unit may establish an obsolete property rehabilitation district  
3 on its own initiative or upon a written request filed by the  
4 owner or owners of property comprising at least 50% of all tax-  
5 able value of the property located within a proposed obsolete  
6 property rehabilitation district. The written request must be  
7 filed with the clerk of the qualified local governmental unit.

8       (3) Before adopting a resolution establishing an obsolete  
9 property rehabilitation district, the legislative body shall give  
10 written notice by certified mail to the owners of all real prop-  
11 erty within the proposed obsolete property rehabilitation dis-  
12 trict and shall afford an opportunity for a hearing on the estab-  
13 lishment of the obsolete property rehabilitation district at  
14 which any of those owners and any other resident or taxpayer of  
15 the qualified local governmental unit may appear and be heard.  
16 The legislative body shall give public notice of the hearing not  
17 less than 10 days or more than 30 days before the date of the  
18 hearing.

19       (4) The legislative body of the qualified local governmental  
20 unit, in its resolution establishing an obsolete property reha-  
21 bilitation district, shall set forth a finding and determination  
22 that the district meets the requirements set forth in subsection  
23 (1).

24       Sec. 4. (1) If an obsolete property rehabilitation district  
25 is established under section 3, the owner or lessee of obsolete  
26 property may file an application for an obsolete property  
27 rehabilitation exemption certificate with the clerk of the

1 qualified local governmental unit that established the obsolete  
2 property rehabilitation district. The application shall be filed  
3 in the manner and form prescribed by the commission. The appli-  
4 cation shall contain or be accompanied by a general description  
5 of the obsolete facility and a general description of the pro-  
6 posed use of the rehabilitated facility, the general nature and  
7 extent of the rehabilitation to be undertaken, a descriptive list  
8 of the fixed building equipment that will be a part of the reha-  
9 bilitated facility, a time schedule for undertaking and complet-  
10 ing the rehabilitation of the facility, a statement of the eco-  
11 nomic advantages expected from the exemption, including the  
12 number of jobs to be retained or created as a result of rehabili-  
13 tating the facility, including expected construction employment,  
14 and information relating to the requirements in section 8.

15       (2) Upon receipt of an application for an obsolete property  
16 rehabilitation exemption certificate, the clerk of the qualified  
17 local governmental unit shall notify in writing the assessor of  
18 the local tax collecting unit in which the obsolete facility is  
19 located, and the legislative body of each taxing unit that levies  
20 ad valorem property taxes in the qualified local governmental  
21 unit in which the obsolete facility is located. Before acting  
22 upon the application, the legislative body of the qualified local  
23 governmental unit shall hold a public hearing on the application  
24 and give public notice to the applicant, the assessor, a repre-  
25 sentative of the affected taxing units, and the general public.  
26 The hearing on each application shall be held separately from the

1 hearing on the establishment of the obsolete property  
2 rehabilitation district.

3       (3) Upon receipt of an application for an obsolete property  
4 rehabilitation exemption certificate for a facility located on  
5 property that was owned by a qualified local governmental unit on  
6 the effective date of this act, and subsequently conveyed to a  
7 private owner, the clerk of the qualified local governmental  
8 unit, in addition to the other requirements of this section,  
9 shall request the assessor of the local tax collecting unit in  
10 which the facility is located to determine the taxable value of  
11 the property. This determination shall be made prior to the  
12 hearing on the application for an obsolete property rehabilita-  
13 tion exemption certificate held pursuant to subsection (2).

14       Sec. 5. The legislative body of the qualified local govern-  
15 mental unit, not more than 60 days after receipt of the applica-  
16 tion by the clerk, shall by resolution either approve or disap-  
17 prove the application for an obsolete property rehabilitation  
18 exemption certificate in accordance with section 8 and the other  
19 provisions of this act. The clerk shall retain the original of  
20 the application and resolution. If approved, the clerk shall  
21 forward a copy of the application and resolution to the  
22 commission. If disapproved, the reasons shall be set forth in  
23 writing in the resolution, and the clerk shall send, by certified  
24 mail, a copy of the resolution to the applicant and to the  
25 assessor. A resolution is not effective unless approved by the  
26 commission as provided in section 6.



1        Sec. 6. (1) Not more than 60 days after receipt of a copy  
2 of the application and resolution adopted under section 5, the  
3 commission shall approve or disapprove the resolution. The state  
4 treasurer, with the written concurrence of the president of the  
5 Michigan strategic fund, shall advise the commission as to  
6 whether approving the application for the obsolete property reha-  
7 bilitation exemption certificate is necessary to reduce unemploy-  
8 ment, promote economic growth, and increase capital investment in  
9 this state.

10        (2) Following approval of the application by the legislative  
11 body of the qualified local governmental unit and the commission,  
12 the commission shall issue to the applicant an obsolete property  
13 rehabilitation exemption certificate in the form the commission  
14 determines, which shall contain all of the following:

15        (a) A legal description of the real property on which the  
16 obsolete facility is located.

17        (b) A statement that unless revoked as provided in this act  
18 the certificate shall remain in force for the period stated in  
19 the certificate.

20        (c) A statement of the taxable value of the obsolete proper-  
21 ty, separately stated for real and personal property, for the tax  
22 year immediately preceding the effective date of the certificate  
23 after deducting the taxable value of the land and personal prop-  
24 erty other than personal property assessed pursuant to section  
25 14(6) of the general property tax act, 1893 PA 206, MCL 211.14.

1 (d) A statement of the period of time authorized by the  
2 legislative body of the qualified local governmental unit within  
3 which the rehabilitation shall be completed.

4 (e) If the period of time authorized by the legislative body  
5 of the qualified local governmental unit pursuant to subdivision  
6 (d) is less than 12 years, the exemption certificate shall con-  
7 tain the factors, criteria, and objectives, as determined by the  
8 resolution of the qualified local governmental unit, necessary  
9 for extending the period of time, if any.

10 (3) The effective date of the certificate is the December 31  
11 immediately following the date of issuance of the certificate.

12 (4) The commission shall file with the clerk of the quali-  
13 fied local governmental unit a copy of the obsolete property  
14 rehabilitation exemption certificate, and the commission shall  
15 maintain a record of all certificates filed. The commission  
16 shall also send, by certified mail, a copy of the obsolete prop-  
17 erty rehabilitation exemption certificate to the applicant and  
18 the assessor of the local tax collecting unit in which the obso-  
19 lete property is located.

20 (5) The commission shall not approve the issuance of more  
21 than 25 new obsolete property rehabilitation exemption certifi-  
22 cates each year.

23 Sec. 7. (1) A rehabilitated facility for which an obsolete  
24 property rehabilitation exemption certificate is in effect, but  
25 not the land on which the rehabilitated facility is located, or  
26 personal property other than personal property assessed pursuant  
27 to section 14(6) of the general property tax act, 1893 PA 206,

1 MCL 211.14, for the period on and after the effective date of the  
2 certificate and continuing so long as the obsolete property reha-  
3 bilitation exemption certificate is in force, is exempt from ad  
4 valorem property taxes collected under the general property tax  
5 act, 1893 PA 206, MCL 211.1 to 211.157.

6 (2) Unless earlier revoked as provided in section 12, an  
7 obsolete property rehabilitation exemption certificate shall  
8 remain in force and effect for a period to be determined by the  
9 legislative body of the qualified local governmental unit. The  
10 certificate may be issued for a period of at least 1 year, but  
11 not to exceed 12 years. If the number of years determined is  
12 less than 12, the certificate may be subject to review by the  
13 legislative body of the qualified local governmental unit and the  
14 certificate may be extended. The total amount of time determined  
15 for the certificate including any extensions shall not exceed 12  
16 years after the completion of the rehabilitated facility. The  
17 certificate shall commence with its effective date and end on the  
18 December 31 immediately following the last day of the number of  
19 years determined. The date of issuance of a certificate of occu-  
20 pancy, if required by appropriate authority, shall be the date of  
21 completion of the rehabilitated facility.

22 (3) If the number of years determined by the legislative  
23 body of the qualified local governmental unit for the period a  
24 certificate remains in force is less than 12 years, the review of  
25 the certificate for the purpose of determining an extension shall  
26 be based upon factors, criteria, and objectives that shall be  
27 placed in writing, determined and approved at the time the

1 certificate is approved by resolution of the legislative body of  
2 the local governmental unit and sent, by certified mail, to the  
3 applicant, the assessor of the local tax collecting unit in which  
4 the obsolete property is located, and the commission.

5       Sec. 8. (1) If the taxable value of the property proposed  
6 to be exempt pursuant to an application under consideration, con-  
7 sidered together with the aggregate taxable value of property  
8 exempt under certificates previously granted and currently in  
9 force under this act or under 1974 PA 198, MCL 207.551 to  
10 207.572, exceeds 5% of the taxable value of the qualified local  
11 governmental unit, the legislative body of the qualified local  
12 governmental unit shall make a separate finding and shall include  
13 a statement in its resolution approving the application that  
14 exceeding that amount shall not have the effect of substantially  
15 impeding the operation of the qualified local governmental unit  
16 or impairing the financial soundness of an affected taxing unit.

17       (2) The legislative body of the qualified local governmental  
18 unit shall not approve an application for an obsolete property  
19 exemption certificate unless the applicant complies with all of  
20 the following requirements:

21       (a) The commencement of the rehabilitation of the facility  
22 does not occur before the establishment of the obsolete property  
23 rehabilitation district.

24       (b) The application relates to a rehabilitation program that  
25 when completed constitutes a rehabilitated facility within the  
26 meaning of this act and that shall be situated within an obsolete  
27 property rehabilitation district established in a qualified local

1 governmental unit eligible under this act to establish such a  
2 district.

3 (c) Completion of the rehabilitated facility is calculated  
4 to, and will at the time of issuance of the certificate have the  
5 reasonable likelihood to, increase commercial activity, create  
6 employment, retain employment, prevent a loss of employment, or  
7 increase the number of residents in the community in which the  
8 facility is situated.

9 (d) The applicant states, in writing, that the rehabilita-  
10 tion of the facility would not be undertaken without the  
11 applicant's receipt of the exemption certificate.

12 (e) The applicant is not delinquent in the payment of all  
13 taxes related to the facility.

14 Sec. 9. The assessor of each city in which there is a reha-  
15 bilitated facility with respect to which 1 or more obsolete prop-  
16 erty rehabilitation exemption certificates have been issued and  
17 are in force shall determine annually as of December 31 the value  
18 and taxable value, both for real and personal property, of each  
19 rehabilitated facility separately, having the benefit of a cer-  
20 tificate and upon receipt of notice of the filing of an applica-  
21 tion for the issuance of a certificate, shall determine and fur-  
22 nish to the local legislative body the value and the taxable  
23 value of the property to which the application pertains and other  
24 information as may be necessary to permit the local legislative  
25 body to make the determinations required by section 8(2).

26 Sec. 10. (1) There is levied upon every owner of a  
27 rehabilitated facility to which an obsolete property

1 rehabilitation exemption certificate is issued a specific tax to  
2 be known as the obsolete properties tax.

3       (2) The amount of the obsolete properties tax, in each year,  
4 shall be determined by multiplying the total mills levied as ad  
5 valorem taxes for that year by all taxing units within which the  
6 rehabilitated facility is located by the taxable value of the  
7 real and personal property of the obsolete property for the tax  
8 year immediately preceding the effective date of the obsolete  
9 property rehabilitation exemption certificate after deducting the  
10 taxable valuation of the land and of personal property other than  
11 personal property assessed pursuant to section 14(6) of the gen-  
12 eral property tax act, 1893 PA 206, MCL 211.14.

13       (3) The obsolete properties tax shall be collected, dis-  
14 bursed, and assessed in accordance with this act.

15       (4) The obsolete properties tax is an annual tax, payable at  
16 the same times, in the same installments, and to the same officer  
17 or officers as taxes imposed under the general property tax act,  
18 1893 PA 206, MCL 211.1 to 211.157, are payable. Except as other-  
19 wise provided in this section, the officer or officers shall dis-  
20 burse the obsolete properties tax payments received by the offi-  
21 cer or officers each year to and among this state, cities, school  
22 districts, counties, and authorities, at the same times and in  
23 the same proportions as required by law for the disbursement of  
24 taxes collected under the general property tax act, 1893 PA 206,  
25 MCL 211.1 to 211.157.

26       (5) For intermediate school districts receiving state aid  
27 under sections 56, 62, and 81 of the state school aid act of

1 1979, 1979 PA 94, MCL 388.1656, 388.1662, and 388.1681, of the  
2 amount of obsolete property tax that would otherwise be disbursed  
3 to an intermediate school district, all or a portion, to be  
4 determined on the basis of the tax rates being utilized to com-  
5 pute the amount of state aid, shall be paid to the state treasury  
6 to the credit of the state school aid fund established by section  
7 11 of article IX of the state constitution of 1963.

8       (6) The amount of obsolete property tax that would otherwise  
9 be disbursed to a local school district for school operating pur-  
10 poses shall be paid instead to the state treasury and credited to  
11 the state school aid fund established by section 11 of article IX  
12 of the state constitution of 1963.

13       (7) The officer or officers shall send a copy of the amount  
14 of disbursement made to each unit under this section to the com-  
15 mission on a form provided by the commission.

16       (8) A rehabilitated facility located in a renaissance zone  
17 under the Michigan renaissance zone act, 1996 PA 376, MCL  
18 125.2681 to 125.2696, is exempt from the obsolete properties tax  
19 levied under this act to the extent and for the duration provided  
20 pursuant to the Michigan renaissance zone act, 1996 PA 376, MCL  
21 125.2681 to 125.2696, except for that portion of the obsolete  
22 properties tax attributable to a special assessment or a tax  
23 described in section 7ff(2) of the general property tax act, 1893  
24 PA 206, MCL 211.7ff. The obsolete properties tax calculated  
25 under this subsection shall be disbursed proportionately to the  
26 taxing unit or units that levied the special assessment or the

1 tax described in section 7ff(2) of the general property tax act,  
2 1893 PA 206, MCL 211.7ff.

3       Sec. 11. The amount of the tax applicable to real property,  
4 until paid, is a lien upon the real property to which the certif-  
5 icate is applicable. Proceedings upon the lien as provided by  
6 law for the foreclosure in the circuit court of mortgage liens  
7 upon real property may commence only upon the filing by the  
8 appropriate collecting officer of a certificate of nonpayment of  
9 the obsolete properties tax applicable to real property, together  
10 with an affidavit of proof of service of the certificate of non-  
11 payment upon the owner of the facility by certified mail, with  
12 the register of deeds of the county in which the property is  
13 situated.

14       Sec. 12. The legislative body of the qualified local gov-  
15 ernmental unit may, by resolution, revoke the obsolete property  
16 rehabilitation exemption certificate of a facility if it finds  
17 that the completion of rehabilitation of the facility has not  
18 occurred within the time authorized by the legislative body in  
19 the exemption certificate or a duly authorized extension of that  
20 time, or that the holder of the obsolete property exemption cer-  
21 tificate has not proceeded in good faith with the operation of  
22 the rehabilitated facility in a manner consistent with the pur-  
23 poses of this act and in the absence of circumstances that are  
24 beyond the control of the holder of the exemption certificate.

25       Sec. 13. An obsolete property rehabilitation exemption cer-  
26 tificate may be transferred and assigned by the holder of the  
27 certificate to a new owner of the rehabilitated facility if the



1 qualified local governmental unit approves the transfer after  
2 application by the new owner.

3       Sec. 14. Not later than October 15 each year, each quali-  
4 fied local governmental unit granting an obsolete property reha-  
5 bilitation exemption shall report to the commission on the status  
6 of each exemption. The report must include the current value of  
7 the property to which the exemption pertains, the value on which  
8 the obsolete property rehabilitation tax is based, a current  
9 estimate of the number of jobs retained or created by the exemp-  
10 tion, and a current estimate of the number of new residents occu-  
11 pying commercial housing property units covered by the  
12 exemption.

13       Sec. 15. (1) The department annually shall prepare and  
14 submit to the committees of the house of representatives and  
15 senate responsible for tax policy and economic development issues  
16 a report on the utilization of obsolete property rehabilitation  
17 districts, based on the information filed with the commission.

18       (2) After this act has been in effect for 3 years, the  
19 department shall prepare and submit to the committees of the  
20 house of representatives and senate responsible for tax policy  
21 and economic development issues an economic analysis of the costs  
22 and benefits of this act in the 3 local governmental units in  
23 which it has been most heavily utilized.

24       Sec. 16. A new exemption shall not be granted under this  
25 act after December 31, 2015, but an exemption then in effect  
26 shall continue until the expiration of the exemption  
27 certificate.

1        Enacting section 1. This act does not take effect unless  
2 all of the following bills of the 90th Legislature are enacted  
3 into law:

4        (a) Senate Bill No. 269.

5        (b) House Bill No. 4400.

6        (c) Senate Bill No. \_\_\_\_\_ or House Bill No. 5443 (request  
7 no. 05139'99).

8        (d) Senate Bill No. \_\_\_\_\_ or House Bill No. 5445 (request  
9 no. 05822'00).