

SENATE BILL No. 1047

February 24, 2000, Introduced by Senators BENNETT and SHUGARS and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

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. 1046.

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8 (d) Senate Bill No. 1048.

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