House
Legislative
Analysis
Section

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LAND BANKS & SPECIFIC TAX FOR TAX-REVERTED PROPERTY

House Bill 4851 (Substitute H-2)
Sponsor: Rep. Kwame Kilpatrick

House Bill 4852 (Substitute H-2)
Sponsor: Rep. Gene DeRossett

House Bill 4853 (Substitute H-3)
Sponsor: Rep. Andrew Richner

House Bill 5450 (Substitute H-2)
Sponsor: Rep. Samuel Buzz Thomas

House Bill 5451 (Substitute H-2)
Sponsor: Rep. Belda Garza

Committee: Land Use and Environment
Complete to 5-22-02

A SUMMARY OF HOUSE BILLS 4851-4853, 5450-5451 AS REPORTED FROM THE HOUSE COMMITTEE ON LAND USE AND ENVIRONMENT 5-21-02

The package of bills would, in brief, do the following.

• Create 1) a land bank authority at the state level; 2) a metropolitan land bank authority for a city with a population of at least 750,000 (Detroit); and 3) allow for the creation of other land bank authorities at the county or multi-jurisdictional local level under certain circumstances. Each kind of authority would be authorized to enter into an interlocal agreement with the other for the joint exercise of powers and duties. The land banks, generally speaking, would acquire, assemble, dispose of, and quiet title to tax-reverted (and other) property.

• Allow a land bank to initiate an expedited quiet title and foreclosure action to quiet title to real property the land bank held. The process provided would allow a land bank to file a single petition with a circuit court listing all property (within the court's jurisdiction) subject to expedited foreclosure and for which the land bank sought to quiet title. The process would require title searches and notification of those discovered to have an interest in the property.

• Create a program under which a specific tax would be levied in lieu of property taxes on property sold by a land bank, with 50 percent of the revenue from the specific tax to be used by the land bank, among other things, to cover the costs to clear or quiet title to property held by the land bank or to repay loans made by the state for use in clearing titles. The remaining 50 percent of revenue would be disbursed to the state, cities, school districts, counties, and authorities in the same manner and in the same proportions as property taxes are disbursed. The amount of the specific tax to be collected from a parcel would be the same as the amount that would have been collected from the levying of property taxes.

• Allow the state treasurer to invest surplus funds in loans to land banks for the purpose of clearing or quieting title to tax reverted property held by or under the control of a land bank

• Establish additional procedures for a foreclosing governmental unit to follow in attempting to determine the address of a person with an interest in property, as part of the delinquency, foreclosure, and forfeiture procedures for property taxes. (Those procedures would also be included in the new act creating land banks.)

• Allow the governor by executive order to transfer to the authority tax reverted property to which the state held title, and the state administrative board would be required by the legislation to transfer certain specified parcels of surplus state property in the Detroit area to the new state authority. Generally, tax reverted property and tax delinquent property held by a qualified city (a city of at least 750,000 population, meaning Detroit) would be transferred to the new metropolitan authority automatically with the appointment of authority board members. (The mayor could act to rescind a transfer of a parcel or parcels within 60 days of the transfer.)

• Put into statute a legislative finding regarding the operation of land banks and the assembly and disposal of public property. The finding would say, among other things, that "it is in the best interests of this state and local units of government . . . to assemble and dispose of public property, including tax reverted property, in a coordinated manner to foster the development of that property and to promote economic growth . . . It is declared to be a valid purpose for a land bank . . . to acquire, assemble, dispose of, and quiet title to property . . .[and] to provide for the financing [of those activities]".

House Bill 5450 would create a new act, the Michigan Land Bank and Community Development Authority Act. The act would contain three chapters: Chapter Two would create a new state land bank authority to be directed by a five-member board of directors appointed by the governor. Chapter Three would create a metropolitan land bank authority in a city with a population of at least 750,000 (Detroit) upon the appointment of a five-member board of directors by the city's chief executive officer (the mayor). Each kind of authority would be authorized to enter into an interlocal agreement with the other for the joint exercise of powers and duties. Chapter Three also would permit (in some cases) a county to create a metropolitan authority by resolution of the county board of commissioners and would permit two or more cities, villages, townships, or counties to enter into an intergovernmental agreement providing for the creation of a metropolitan authority if there were at least 250 parcels of tax reverted property within the area covered by the interlocal agreement. Chapter One would contain general provisions pertaining to the operation of the land banks created by the other two chapters. Included would be provisions setting forth an expedited quiet title and foreclosure process that a land bank could initiate in order to quiet title to real property that it held. Under these provisions, a land bank could file a single petition in circuit court listing all property (within the court's jurisdiction) subject to expedited foreclosure and for which the land bank sought to quiet title.

House Bill 5450 contains extensive provisions regarding the powers and operations of the state and metropolitan land banks. A land bank could, generally speaking, "do all things necessary or convenient to implement the purposes, objectives, and provisions" of the new act. In the exercise of its powers and duties, an authority would have complete control as fully and

completely as if it represented a private property owner and would not be subject to restrictions imposed by the charter, ordinances, or resolutions of a local unit of government. However, a land bank specifically could not levy any tax or special assessment; could not exercise the power of eminent domain or condemn property; and could not expend any funds for, or related to, the development of a casino or a casino-related development.

House Bill 4851 would amend the General Property Tax Act (MCL 211.7gg) to exempt real property sold by a land bank from the collection of property taxes. The exemption would be effective for any parcel of property sold by the land bank beginning on the December 31 of the year in which it was sold. The exemption would continue until the December 31 in the year five years after the initial exemption was granted. In place of property taxes, the property would be subject to a new specific tax. The bill would also specify that property whose title was held by a land bank would be exempt from the collection of taxes under the act.

House Bill 4852 would create the Tax Reverted Property Clean Title Act, which would establish the new specific tax, to be called the eligible tax reverted property specific tax, and provide for its collection and disbursement. The assessor in each participating local unit would have to determine annually as of December 31 the value and taxable value of each parcel of eligible tax reverted property and furnish the information to the local legislative body. Not later than October 31 of each year, a land bank would have to provide a list of eligible tax reverted property it had sold in the immediately preceding year to the assessor of each local unit in which property sold was located. Until paid, the new specific tax would be a lien on real property. Unpaid specific taxes would not be subject to return as a delinquent tax under the General Property Tax Act. Eligible property in a renaissance zone would be exempt from the new specific tax (with certain exceptions).

House Bill 4853 would amend Public Act 105 of 1855 (MCL 21.144), which deals with state surplus funds, to allow the state treasurer to invest surplus funds in loans to land banks for the purpose of clearing or quieting title to tax reverted property held by or under the control of a land bank. The loan would have to be at the market rate of interest, as determined by the state treasurer, and would be for a period not to exceed ten years. All other terms of the loan would be prescribed by the state treasurer.

House Bill 5451 would amend the General Property Tax Act (MCL 211.78i) to add new steps for a foreclosing governmental unit to follow to determine an address so as to inform a person with interest in forfeited property. If the currently required records search does not allow the foreclosing governmental unit to determine the address, the unit would be required to conduct a search of records of the county probate court; a search of the qualified voter file established under the Michigan Election Law; for a partnership, a search of partnership records filed with the county clerk; for a business entity, a search of business entity records filed with the Department of Consumer and Industry Services; a search of a current telephone directory for the area in which the property was located; and a letter of inquiry to the last seller of the property or an attorney for the seller, if ascertainable. These would be considered "reasonable steps" to ascertain the address of a person entitled to notice. (The current delinquency, foreclosure and forfeiture provisions require a title search involving the records in the office of the county

register of deeds; tax records in the office of the county treasurer; records in the office of the local assessor; and records in the office of the local treasurer.)

The bills are all tie-barred to one another, meaning that for any one bill to take effect they must all be enacted.

Analyst: C. Couch