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BILL ANALYSIS



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Senate Bill 230 (as enrolled)
Sponsor: Senator Virg Bernero
Senate Committee: Local, Urban and State Affairs
House Committee: Regulatory Reform

PUBLIC ACT 80 of 2003

Date Completed: 7-24-03

RATIONALE

Many cities within the State contain dilapidated, abandoned buildings that present a number of concerns for neighbors and communities. In addition to simply being eyesores that can discourage potential homebuyers, these structures may shelter drug-traffickers, prostitutes, and squatters, as well as create health and safety hazards to children and other residents. Michigan law contains various approaches to addressing this situation. These include procedures under the Housing Law of Michigan, which allows a local inspecting agency to bring an action in court to enforce the law, if the owner or occupant of a building fails to comply with an order to correct a violation. Although the court may authorize the agency to remove the structure, the Housing Law specifies that a building may not be removed unless the cost of its repair will be greater than the building's State equalized valuation (SEV), which essentially is 50% of its market value. Evidently, this restriction can be problematic because cities sometimes must wait years before necessary repairs are so extensive that they exceed a building's SEV. It was suggested that, in some cases, cities should have the ability to remove vacant structures at an earlier stage of the process.

CONTENT

The bill amended the Housing Law of Michigan to make an exception to the provision under which a building may not be removed unless the cost of its repair will be greater than the building's State equalized valuation. Under the bill, this will not apply in urban core cities, or local units of government adjacent or contiguous to an urban core city, that have adopted stricter standards to expedite the rehabilitation or removal of a boarded or

abandoned building or structure that remains vacant and/or boarded, and a significant attempt has not been made to rehabilitate the building or structure for a period of 24 consecutive months.

The bill defines "urban core cities" as qualified local governmental units as defined in the Obsolete Property Rehabilitation Act (described below).

MCL 125.534

BACKGROUND

The Obsolete Property Rehabilitation Act was part of a package of legislation enacted in 2000 to expand the brownfield redevelopment program and create new efforts toward State and local economic development. The Act allows a property tax abatement for blighted, functionally obsolete, or contaminated commercial property, including residential property. The property must be located in a district established by a qualified local governmental unit.

Under the Act, "qualified local governmental unit" refers to 1) a city or township with a median family income of 150% or less of the statewide median family income as reported in the 1990 Federal census, that meets certain population criteria, contains an eligible distressed area, or meets other conditions; 2) a village with a population of 500 or more designated a rural enterprise community before 1998; or 3) a city that has a population of more than 20,000 or less than 5,000, is located in a county with a population of 2 million or more, and, as of January 1, 2000, had an overall increase in SEV of less than 65% of the statewide average since 1972.

When the Act took effect on June 6, 2000, there were 81 cities, six townships, and one village that met the definition. (These local units are listed in State Tax Commission Bulletin No. 9 of 2000, which is available on the Department of Treasury's website: www.michigan.gov/treasury.)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill will enable cities to remove a vacant structure before it has deteriorated to the point that the costs of repair exceed the building's SEV, which can take years. In Lansing, for example, several hundred houses have been boarded for about six years. While a building continues to crumble, the hazards it presents continue to grow. Uninhabitable structures can undermine the overall rehabilitation of a community, discourage tourism, and lower property values. Vacant buildings also create health and safety hazards, especially to children who play and explore among broken glass, used syringes, smashed doors, and rats. In addition, neighbors and passers-by may be victimized by criminals who find abandoned buildings to be good hiding places.

Cities that want to raze blighted structures face a number of impediments. Although cities might make valiant efforts to "red tag" buildings that need to be repaired or torn down, they have little leverage against recalcitrant, absentee property owners, especially when a building cannot legally be demolished for many years after it has been deemed uninhabitable. Although cities may seek a court order to compel compliance with building codes, some courts evidently are reluctant to issue these orders. By allowing cities to intervene at an earlier stage, the bill gives them a tool to encourage rehabilitation. If a property owner continues to resist making repairs, the city will have the authority to remove the structure.

Opposing Argument

The bill threatens the rights of property owners, who may be victimized by overzealous city workers. Although the bill gives owners two years to make a "significant

attempt" to rehabilitate a building, that term is undefined and could be applied arbitrarily.

Response: Under the Housing Law, a court order is necessary for demolition, and will continue to be under the bill. Also, the bill applies only if a city has adopted a standard stricter than the current SEV-to-repair cost ratio. Furthermore, rather than paying to demolish buildings, cities prefer to encourage their rehabilitation. If a property owner knows that his or her building will be torn down after a finite period of time, he or she will have an incentive to make needed repairs.

Opposing Argument

The bill is unnecessary. Public Act 27 of 2002 authorizes cities, townships, and villages to designate a structure as "blighting property" and acquire title to it by purchase, exchange, or condemnation. After a municipality acquires title to blighting property, it must transfer the property for development or adopt a written development plan for the property. These measures give local units enough power to address dilapidated, abandoned structures.

Response: The bill enables cities to clean up blighted neighborhoods without having to acquire title to property and transfer or develop it themselves.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will have a negligible fiscal impact on State government and a minimal fiscal impact on local government.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.