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BILL ANALYSIS

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House Bill 6043 (Substitute H-2 as passed by the House)
Sponsor: Representative John Pastor
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 11-27-06

CONTENT

The bill would amend the Commercial Rehabilitation Act to do the following:

- Extend the Act to multifamily residential property in a commercial rehabilitation district (a qualified facility).**
- Reduce the minimum size of a district from 75 acres to three acres, and allow a district in a downtown or business area to be smaller than three acres.**
- Delete the size and vacancy criteria for a qualified facility.**
- Include as a qualified facility buildings that had been allocated for a new markets credit under the Internal Revenue Code.**

The Act allows a city, village, or township to establish a commercial redevelopment district consisting of a qualified facility (unless the county containing the district disapproves it). A qualified facility is a building or group of buildings that are commercial property and meet criteria in the Act. The owner of a qualified facility may apply for a commercial rehabilitation exemption certificate; the application must describe, among other things, the nature and extent of the rehabilitation to be undertaken. If a certificate is granted, the building or buildings are exempt from ad valorem taxes under the General Property Tax Act and subject to the commercial rehabilitation tax, which essentially freezes the taxable value of the facility for the duration of the certificate. A certificate may be issued for one to 10 years.

The Commercial Rehabilitation Act defines "commercial property" as land improvements classified for tax purposes as real property, whose primary purpose and use are the operation of a commercial business enterprise. The bill also would include property whose primary purpose and use were multifamily residential use, which would mean multifamily housing consisting of five or more units.

Currently, a commercial rehabilitation district must be at least 75 acres in size. The bill would reduce the minimum size to three acres. A district could be smaller than three acres, however, if it were located in a downtown or business area as determined by the legislative body of the city, village, or township.

The Act defines "qualified facility" as a building or group of buildings of commercial property consisting of 1.0 million or more square feet that is at least 40% vacant for 12 or more consecutive months immediately preceding the date of application for the certificate and that is 15 years old or older. Under the bill, "qualified facility" would mean a building or

group of buildings of commercial property that was at least 15 years old or had been allocated for a new markets tax credit under Section 45d of the Internal Revenue Code.

(Section 45d allows a taxpayer to claim a new markets credit in an amount equal to 5% or 6% of the taxpayer's qualified equity investment in a qualified community development entity (CDE). A CDE is a domestic corporation or partnership whose primary mission is serving or providing investment capital for low-income communities or individuals; that maintains accountability to residents of low-income communities through their representative on the entity's governing board or advisory board; and that is certified by the U.S. Treasury Secretary. A qualified equity investment is an equity investment in a CDE for which the entity has received an allocation from the Secretary, if the CDE uses substantially all of the cash from the investment to make qualified low-income community investments.)

MCL 207.842

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

To the extent that property would be rehabilitated absent the bill, the bill would reduce local unit revenue by an unknown amount, depending upon the number and value of the properties affected by the bill.

The bill would have no fiscal impact on State 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.