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**BILL ANALYSIS**

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Senate Bill 294 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Mark C. Jansen
Committee: Economic Development and Regulatory Reform

CONTENT

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

- Include a retail supermarket, grocery store, produce market, or delicatessen in an underserved area as a qualified facility.
- Include in "rehabilitation" modifications necessary to restore or change "property", rather than "obsolete property", to an economically efficient condition.

The Act allows a qualified local governmental unit (a city, village, or township) to establish a commercial redevelopment district consisting of a qualified facility. 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, which essentially freezes the taxable value of the facility for one to 10 years.

The bill would amend the definition of "qualified facility" to include a "qualified retail food establishment". That term would mean property that meets all of the following:

- It will be used primarily as a retail supermarket, grocery store, produce market, or delicatessen that offers fresh USDA-inspected meat and poultry products, fresh fruits and vegetables, and dairy products for sale to the public.
- It is located in a qualified local governmental unit that 1) also is located in a qualified local governmental unit as defined in the Obsolete Property Rehabilitation Act and is located in an underserved area; or 2) is designated as rural as defined by the U.S. Census Bureau and is located in an underserved area.
- It was used as residential, commercial, or industrial property as allowed and conducted under the applicable zoning ordinance for the immediately preceding 30 years.

"Underserved area" would mean an area determined by the Michigan Department of Agriculture that contains a low or moderate income census tract and a below-average supermarket density, that has a supermarket customer base with more than 50% living in a low income census tract, or that has demonstrated significant access limitations due to travel distance.

Currently, a commercial rehabilitation district must be at least three acres in size, as a rule. Under the bill, a district could be smaller than three acres if it contained a qualified retail food establishment.

The definition of "rehabilitation" includes certain major renovations and modifications "and other physical changes required to restore or change the obsolete property to an economically efficient condition". The bill would delete "obsolete" from that provision. Also, rehabilitation for a qualified retail food establishment could include new construction.

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 facilities affected by the bill. The number of facilities affected is likely to be minimal due to the fact that most underserved areas exist because the local economy is unable to support many types of establishments, and the tax reduction under the bill would relate only to the value of improvements made to the property. Compared to the more significant economic factors affecting establishments, it is unlikely that such a reduction in taxes would have a meaningful impact on the economic viability of an establishment.

The bill could reduce local unit revenue to the extent that it increased the number of commercial redevelopment districts. The amount of the reduction would depend upon the specific characteristics of the property affected by the bill. On the other hand, the bill could possibly reduce the revenue loss to some local units relative to current law if the change would allow districts to be drawn more compactly by eliminating the requirement for districts to contain obsolete property.

The bill would have no fiscal impact on State government.

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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.