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BILL ANALYSIS

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Senate Bill 294 (Substitute S-1)

Sponsor: Senator Mark C. Jansen

Committee: Economic Development and Regulatory Reform

Date Completed: 12-4-07

CONTENT

The bill would amend the Commercial Rehabilitation Act to include a retail supermarket, grocery store, produce market, or delicatessen in an underserved area as a qualified facility under the Act.

The Act allows a qualified local governmental unit (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. 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 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 that contains a low or moderate income census tract and a below-average supermarket density or an area 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, as determined by the Michigan Department of Agriculture.

(Under the Obsolete Property Rehabilitation Act, "qualified local governmental unit" refers to a city or township that has a median family income of 150% or less of the statewide median family income and meets certain population criteria, contains an eligible distressed area as defined in the State Housing Development Authority Act, or is the central city of a metropolitan area designated by the U.S. Office of Management and Budget; a village with a

population of 500 or more located in an area that was designated as a rural enterprise community before 1998; or a city that meets criteria pertaining to population, location, and below-average increase in State equalized valuation.)

Under the Commercial Rehabilitation Act, a commercial rehabilitation district must be at least three acres in size unless it is located in a downtown or business area, as determined by the legislative body of the qualified local governmental unit. Under the bill, a district also could be less than three acres in size if it contained a qualified retail food establishment, as determined by the local legislative body.

The Act defines "rehabilitation" as changes to a qualified facility that are required to restore or modify the property to an economically efficient condition, including major renovation and modification. Under the bill, rehabilitation for a qualified retail food establishment also would include new construction.

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 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. Most rural areas exhibit low millage rates 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 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.