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BILL ANALYSIS

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House Bill 5459 (Substitute H-2 as passed by the House)
Sponsor: Representative Jeff Mayes
House Committee: Tax Policy
Senate Committee: Economic Development and Regulatory Reform

Date Completed: 3-25-08

CONTENT

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

- Include in the definition of "qualified facility" vacant property located in a city with a population of more than 36,000 and less than 37,000 according to the 2000 Federal decennial census and from which a previous structure had been demolished and on which commercial property would be newly constructed.
- Include in the definition of "rehabilitation" new construction on vacant property from which a previous structure had been demolished if the new construction were an economic benefit to the local community as determined by the city, village, or township.

The Act allows a city, village, or township to establish a redevelopment district consisting of a qualified facility. The owner of a qualified facility may apply for a commercial rehabilitation exemption certificate, which essentially will freeze the property taxes on the facility for up to 10 years. The application must contain specific information, including the nature and extent of the rehabilitation to be undertaken. The local legislative body, by resolution, must approve or deny the application, but a resolution approving an application will not take effect without the approval of the State Tax Commission.

Currently, "qualified facility" means a building or group of contiguous buildings of commercial property that is 15 years old or older or has been allocated for a new markets tax credit under Section 45d of the Internal Revenue Code (26 USC 45d). A qualified facility does not include property that is to be used as a professional sports stadium or as a casino regulated by the State pursuant to the Michigan Gaming Control and Revenue Act, including a parking lot, hotel, motel, or retail store owned or operated by a casino, an affiliate, or an affiliated company.

"Rehabilitation" means changes to a qualified facility that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation includes major renovation and modification including the improvement of floor loads; correction of deficient or excessive height; new or improved fixed building equipment, including heating, ventilation, and lighting; reducing multistory facilities to one or two stories; improved structural support, including foundations; improved roof structure and cover; floor replacement; improved wall placement; improved exterior and interior appearance of buildings; and other physical changes required to restore or change the property to an economically efficient condition. Rehabilitation does not include

improvements aggregating less than 10% of the true cash value of the property at commencement of the rehabilitation of the qualified facility.

MCL 207.842

Legislative Analyst: Patrick Affholter

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.