

# Legislative Analysis



## OBSOLETE PROPERTY REHABILITATION

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 6203 (Substitute H-1)**

**Sponsor: Rep. Ed Clemente**

**Committee: New Economy and Quality of Life**

**Complete to 6-8-10**

## A SUMMARY OF HOUSE BILL 6203 AS REPORTED FROM COMMITTEE

Under the Obsolete Property Rehabilitation Act, local units of government can create special districts in which eligible commercial property and commercial housing can obtain property tax abatements. This only applies in so-called core communities and applies only to blighted, functionally obsolete, and contaminated properties. Properties undergoing rehabilitation can obtain tax abatements for one to twelve years, if approved by the local legislative body and the State Tax Commission. Approved properties are exempt from standard property taxes and instead pay a specific tax, called the obsolete properties tax, which is based on the value of property prior to rehabilitation. The abatement applies to the facility and not the land and not, generally speaking, to personal property.

House Bill 6203 would amend the act in the following ways.

\*\* Currently, the act does not allow new exemptions to be granted after December 31, 2010. The bill would extend this "sunset" date to December 31, 2016. Essentially, this extends the obsolete property tax abatement program; without it, the program would end this year.

\*\* The act says that a tax exemption certificate takes effect on the December 31 immediately following the date of its issuance. The bill would make an exception for a special case. It would allow a December 31, 2008 effective date for a certificate if the local unit of government passed a resolution approving an application for an exemption certificate on November 5, 2008, for a rehabilitated facility located in a district that was established on January 29, 2003, with the rehabilitation beginning on July 24, 2007. Reportedly, without this amendment, this certificate would not be effective until the following year, due to its being issued early in 2009. It reportedly applies to the Fort Shelby Hotel project in Detroit.

## FISCAL IMPACT:

To the extent that the bill extends the authority for awarding property tax exemptions beyond 2010, it would reduce local property taxes on eligible property at the discretion of local units of government and school operating property taxes at the discretion of the State Treasurer.

**POSITIONS:**

Among those indicating support for the bill to the Committee on New Economy and Quality of Life were: the Michigan Municipal League; the Greater Detroit Chamber of Commerce; the Middle Michigan Development Corporation; the city of Grand Rapids; and the Fort Shelby Hotel project. (5-26-10)

The Department of Treasury is neutral on the bill. (5-26-10)

Legislative Analyst: Chris Couch  
Fiscal Analyst: Jim Stansell

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.