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BILL ANALYSIS



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Senate Bills 978 and 979 (as introduced 11-5-09)
Senate Bills 1015, 1016, and 1017 (as introduced 12-10-09)
Sponsor: Senator Jason E. Allen (S.B. 978)
 Senator Tom George (S.B. 979 & 1017)
 Senator Gerald Van Woerkom (S.B. 1015)
 Senator Tupac A. Hunter (S.B. 1016)
Committee: Commerce and Tourism

Date Completed: 12-28-09

CONTENT

The bills would amend various statutes to provide for the creation of a redevelopment authority under a joint operating agreement between a county land bank fast track authority and a qualified city (Detroit) or a local land bank fast track authority (created by Detroit); and to do the following:

- **Require the transfer of unsold tax-delinquent property to a redevelopment authority, upon its request.**
- **Exempt property held by a redevelopment authority from the property tax.**
- **Provide an eight-year property tax exemption for property sold or conveyed by a redevelopment authority; subject that property to a specific tax; and dedicate 50% of the tax revenue to the redevelopment authority.**
- **Allow a redevelopment authority to develop public facilities, lend funds to aid redevelopment, and provide relocation assistance.**
- **Include the promotion of urban agriculture in the Land Bank Fast Track Act's statement of purpose.**
- **Prohibit a land bank fast track authority or redevelopment authority from assisting or spending funds for an agricultural operation involving raising animals for profit.**

Senate Bill 978 would amend the Tax Reverted Clean Title Act, Senate Bills 979 and 1015 would amend the Land Bank Fast Track Act, and Senate Bills 1016 and 1017 would amend the General Property Tax Act.

A more detailed description of the bills follows.

Senate Bill 978

The Tax Reverted Clean Title Act imposes a specific tax (equal to the property tax) on property sold by a land bank fast track authority under the Land Bank Fast Track Act, and dedicates 50% of the proceeds of that specific tax to the authority that sold the property.

The Tax Reverted Clean Title Act defines "authority" as a land bank fast track authority created under the Land Bank Fast Track Act, and defines "eligible tax reverted property" as property that is exempt under Section 7gg of the General Property Tax Act (which exempts property held by a

land bank fast track authority and, for five years after the sale or conveyance, property sold or otherwise conveyed by such an authority). Under the bill, "authority" would include a "redevelopment authority" created under a provision of the Land Bank Fast Track Act proposed by Senate Bill 979, and "eligible tax reverted property" would include property exempt under Section 7II of the General Property Tax Act, as proposed by Senate Bill 1016.

Senate Bill 979

The Land Bank Fast Track Act allows a county foreclosing governmental unit, with the approval of the county's board of commissioners and concurrence of the county executive, if the county has an elected executive, to enter into an intergovernmental agreement with the State Land Bank Fast Track Authority providing for the exercise of the powers, duties, functions, and responsibilities of an authority under the Act and for the creation of a county land bank fast track authority to exercise those functions. The bill would allow an authority created by a county foreclosing governmental unit to enter into such an intergovernmental agreement with a local authority or the State authority. (A "local authority" is a land bank fast track authority created by a qualified city.)

The Act also allows a qualified city to enter into an intergovernmental agreement with the State authority. The bill would allow a qualified city or a local authority to enter into such an agreement with an authority created by a county foreclosing governmental unit or the State authority.

Under the bill, if a county foreclosing governmental unit or a county authority entered into an intergovernmental agreement with a qualified city or a local authority to operate an authority jointly, the resulting authority would be considered a redevelopment authority. The intergovernmental agreement would have to require that one of the members of the governing body be appointed by the Governor.

A redevelopment authority created under the bill could do one or more of the following:

- Construct, develop, and improve streets, plazas, pedestrian malls, parking facilities, recreational facilities, rights-of-way, waterways, bridges, lakes, ponds, canals, utility lines or pipes, and internet infrastructure that were designed for use by the public generally, or used by a public agency.
- Make loans to aid redevelopment.
- Provide relocation assistance for individuals or businesses that sold their property to the redevelopment authority.

The Act defines "qualified city" as a city that contains a first-class school district, including any department or agency of the city. Under the bill, "qualified city" would mean a city that has a population of 750,000 or more, including any department or agency of that city.

Senate Bill 1015

The Land Bank Fast Track Act includes a statement that it is in the best interests of the State and local units "to assemble or dispose of public property...to promote economic growth in this state and local units of government in this state". The bill would add, "and to promote urban agriculture". The bill also would prohibit a land bank fast track authority from assisting or spending any funds for, or related to, an agricultural operation that involved raising livestock, poultry, or other animals for profit.

Senate Bill 1016

Under the bill, property whose title was held by a redevelopment authority created under the Land Bank Fast Track Act (as it would be amended by Senate Bill 979), would be exempt from the collection of taxes under the General Property Tax Act.

Real property sold or otherwise conveyed by a redevelopment authority under the Land Bank Fast Track Act also would be exempt from taxes under the General Property Tax Act beginning on December 31 in the year in which the property was sold or otherwise conveyed by the redevelopment authority until eight years after that date. The property would be subject to the specific tax levied under the Tax Reverted Clean Title Act.

The exemption for property sold or conveyed by a redevelopment authority would not apply to property included in a brownfield plan under the Brownfield Redevelopment Financing Act, if both of the following conditions were satisfied:

- The brownfield plan included assistance provided to a land bank fast track authority authorized under the Brownfield Redevelopment Financing Act.
- The redevelopment authority approved the release of the exemption, if the authority had issued bonds or notes, or had entered into a reimbursement agreement, pledging or dedicating the specific tax levied under the Tax Reverted Clean Title Act, before the sale of the property subject to the exemption.

The exemption also would not apply to property included in a neighborhood enterprise zone under the Neighborhood Enterprise Zone Act.

Senate Bill 1017

Under the General Property Tax Act, tax-delinquent property must be offered for sale at two or more sales conducted between July and November. By the following December 1, a list of all property not sold by the foreclosing governmental unit must be sent to the clerk of the city, village, or township in which the property is located. That local unit may object to the transfer of one or more parcels on the list. By December 30, all unsold property must be transferred to the city, village, or township in which it is located, except those parcels to which the city, village, or township has objected.

Under the bill, if unsold property were transferred to the city, village, or township in which it was located, the city, village, or township would have to transfer that property to a redevelopment authority created under the Land Bank Fast Track Act (as it would be amended by Senate Bill 979), within 60 days of receiving a request from the redevelopment authority for the transfer of the property.

Under the General Property Tax Act, if unsold property is not transferred to the city, village, or township in which it is located, the foreclosing governmental unit must retain possession of the property. If the foreclosing governmental unit is the State, title to the property must vest in the State land bank fast track authority. Under the bill, a foreclosing governmental unit other than the State would have to transfer the property to a redevelopment authority created under the Land Bank Fast Track Act within 60 days of receiving a request from the redevelopment authority for the transfer of the property.

MCL 211.1022 & 201.1023 (S.B. 978)
124.753 et al. (S.B. 979)
124.752 & 124.754 (S.B. 1015)
Proposed MCL 211.7II (S.B. 1016)
MCL 211.78m (S.B. 1017)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would change the timing and distribution of revenue to local units and the School Aid Fund by an unknown amount. Presumably, affected foreclosed property would return to the tax rolls more rapidly under the bills, which would accelerate the date when the property would again contribute revenue to units of government. However, under the bills, once the affected property returned to the tax rolls, it would face a specific tax that would be divided equally between the redevelopment authority and other local units of government. As a result, the tax revenue received by other local units of government would represent 50% of the revenue that would have been received from the property absent the bills. The actual amount of any changes would depend upon the number of affected parcels and the specific postforeclosure characteristics of each affected parcel.

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.