

Legislative Analysis



COMMERCIAL REDEVELOPMENT ACT

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House Bill 4759 (Substitute H-1)

Sponsor: Rep. Sharon Tyler

Committee: Commerce

Complete to 6-23-11

A SUMMARY OF HOUSE BILL 4759 AS REPORTED FROM COMMITTEE

The Commercial Rehabilitation Act allows local units of government to provide property tax abatements on certain eligible commercial properties, which are known as "qualified facilities." The bill would amend the definition of "qualified facility" in the following ways:

(1) It would delete current language that allows an abatement for vacant property located in a city with a population of more than 36,000 and less than 37,000 (using 2000 census figure) and from which a previous structure has been demolished and on which commercial property will be newly constructed. (This language was added by Public Act 118 of 2008 and was understood to apply only to Bay City and Jackson.)

(2) It would add, instead, new language to make the definition of "qualified facility" apply to a building or a group of contiguous buildings (or a portion of those buildings) previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which, within the immediately preceding 15 years, was commercial property. This would expand the current definition so that, among other things, vacant property (that had been commercial property in the past) in all communities in the state would be eligible for the commercial rehabilitation program.

(3) It would also make eligible for an abatement, a hotel or motel that has additional meeting or convention space and that is attached to a convention and trade center that is over 250,000 square feet in size and that is located in a county with a population of more than 1.1 million and less than 1.6 million. (This definition applies to Oakland County.) This language originally appeared in House Bill 4620 as a proposed amendment to the act ("PA 198") that allows property tax abatements for property defined as industrial. PA 198 already exempts certain convention and trade centers. This bill would allow for a commercial rehabilitation abatement, instead of a PA 198 abatement, for a hotel or motel attached to such a convention and trade center. The provision is understood to apply to a convention and trade center in Novi.

BACKGROUND INFORMATION:

Under the act currently, a "qualified facility" located in a special district created by a local unit of government is exempt from standard property taxes (although not the land or personal property). Instead the facility is subject to a specific tax that, generally

speaking, bases the tax liability of the facility on its value prior to rehabilitation. (The specific tax is known as the commercial rehabilitation tax.) The property tax exemption can last for one to ten years, as determined by the local unit of government. For a facility to be eligible for an exemption, the rehabilitation could not begin more than six months before the applicant files the application for the exemption certificate. The abatement does not apply to local school operating taxes or the State Education Tax.

The tax exemption requires approval by the local unit of government, which is required to notify the local assessor and the legislative body of all taxing units affected of any application for an exemption, and then hold a public hearing on the issue. The tax exemption also requires the approval of the State Tax Commission. The Commercial Rehabilitation Act is very similar in outline to the Obsolete Property Rehabilitation Act, which applies to blighted, functionally obsolete, and contaminated properties in core communities.

FISCAL IMPACT:

For eligible properties, the bill would freeze real property taxes on the building itself at its pre-improvement level for a period of 1 to 10 years. The improvements on the property would be taxed at a significantly lower property tax rate, since only the 6 mill State Education Tax and the local school operating millage would be levied and all other taxes abated for the period granted by the local unit of government. However, land and personal property would continue to be taxed at the prevailing commercial millage rates. The abated millage on the improvements would represent a decrease in local property tax revenue.

POSITIONS:

Representatives from the Michigan Economic Development Corporation, the Michigan Municipal League, and the City of Bridgman (in Berrien County) testified in support of the bill. (6-22-11)

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