

**SUBSTITUTE FOR  
SENATE BILL NO. 223**

A bill to amend 2005 PA 210, entitled  
"Commercial rehabilitation act,"  
by amending sections 2 and 8 (MCL 207.842 and 207.848), as amended  
by 2008 PA 500.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2. As used in this act:

2       (a) "Commercial property" means land improvements classified  
3 by law for general ad valorem tax purposes as real property  
4 including real property assessable as personal property pursuant to  
5 sections 8(d) and 14(6) of the general property tax act, 1893 PA  
6 206, MCL 211.8 and 211.14, the primary purpose and use of which is  
7 the operation of a commercial business enterprise or multifamily  
8 residential use. Commercial property shall also include facilities  
9 related to a commercial business enterprise under the same

ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities.

Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise.

Commercial property does not include any of the following:

(i) Land.

(ii) Property of a public utility.

(b) "Commercial rehabilitation district" or "district" means an area not less than 3 acres in size of a qualified local governmental unit established as provided in section 3. However, if the commercial rehabilitation district is located in a downtown or business area or contains a qualified retail food establishment, as determined by the legislative body of the qualified local governmental unit, the district may be less than 3 acres in size.

(c) "Commercial rehabilitation exemption certificate" or "certificate" means the certificate issued under section 6.

(d) "Commercial rehabilitation tax" means the specific tax levied under this act.

(e) "Commission" means the state tax commission created by 1927 PA 360, MCL 209.101 to 209.107.

(f) "Department" means the department of treasury.

(g) "Multifamily residential use" means multifamily housing consisting of 5 or more units.

(h) "Qualified facility" means a qualified retail food establishment or a building or group of contiguous buildings of

1 commercial property that is 15 years old or older or has been  
2 allocated for a new markets tax credit under section ~~45d~~-45D of the  
3 internal revenue code, 26 USC ~~45d~~-45D. Qualified facility also  
4 includes vacant property located in a city with a population of  
5 more than 36,000 and less than 37,000 according to the 2000 federal  
6 decennial census and from which a previous structure has been  
7 demolished and on which commercial property will be newly  
8 constructed. **QUALIFIED FACILITY SHALL ALSO INCLUDE VACANT PROPERTY**  
9 **LOCATED IN A CITY WITH A POPULATION OF MORE THAN 500,000 ACCORDING**  
10 **TO THE MOST RECENT FEDERAL DECENNIAL CENSUS AND FROM WHICH A**  
11 **PREVIOUS STRUCTURE HAS BEEN DEMOLISHED AND ON WHICH COMMERCIAL**  
12 **PROPERTY IS OR WILL BE NEWLY CONSTRUCTED PROVIDED AN APPLICATION**  
13 **FOR A CERTIFICATE HAS BEEN FILED WITH THAT CITY BEFORE JULY 1,**  
14 **2010.** A qualified facility does not include property that is to be  
15 used as a professional sports stadium. A qualified facility does  
16 not include property that is to be used as a casino. As used in  
17 this subdivision, "casino" means a casino or a parking lot, hotel,  
18 motel, or retail store owned or operated by a casino, an affiliate,  
19 or an affiliated company, regulated by this state pursuant to the  
20 Michigan gaming control and revenue act, 1996 IL 1, MCL 432.201 to  
21 432.226.

22 (i) "Qualified local governmental unit" means a city, village,  
23 or township.

24 (j) "Qualified retail food establishment" means property that  
25 meets all of the following:

26 (i) The property will be used primarily as a retail  
27 supermarket, grocery store, produce market, or delicatessen that

1 offers unprocessed USDA-inspected meat and poultry products or meat  
2 products that carry the USDA organic seal, fresh fruits and  
3 vegetables, and dairy products for sale to the public.

4 (ii) The property meets 1 of the following:

5 (A) Is located in a qualified local governmental unit that is  
6 also located in a qualified local governmental unit as defined in  
7 section 2 of the obsolete property rehabilitation act, 2000 PA 146,  
8 MCL 125.2782, and is located in an underserved area.

9 (B) Is located in a qualified local governmental unit that is  
10 designated as rural as defined by the United States census bureau  
11 and is located in an underserved area.

12 (iii) The property was used as residential, commercial, or  
13 industrial property as allowed and conducted under the applicable  
14 zoning ordinance for the immediately preceding 30 years.

15 (k) "Rehabilitation" means changes to a qualified facility  
16 that are required to restore or modify the property, together with  
17 all appurtenances, to an economically efficient condition.  
18 Rehabilitation includes major renovation and modification  
19 including, but not necessarily limited to, the improvement of floor  
20 loads, correction of deficient or excessive height, new or improved  
21 fixed building equipment, including heating, ventilation, and  
22 lighting, reducing multistory facilities to 1 or 2 stories,  
23 improved structural support including foundations, improved roof  
24 structure and cover, floor replacement, improved wall placement,  
25 improved exterior and interior appearance of buildings, and other  
26 physical changes required to restore or change the property to an  
27 economically efficient condition. Rehabilitation for a qualified

1 retail food establishment also includes new construction.  
2 Rehabilitation also includes new construction on vacant property  
3 from which a previous structure has been demolished and if the new  
4 construction is an economic benefit to the local community as  
5 determined by the qualified local governmental unit. Rehabilitation  
6 shall not include improvements aggregating less than 10% of the  
7 true cash value of the property at commencement of the  
8 rehabilitation of the qualified facility.

9 (l) "Taxable value" means the value determined under section  
10 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

11 (m) "Underserved area" means an area determined by the  
12 Michigan department of agriculture that contains a low or moderate  
13 income census tract and a below average supermarket density, an  
14 area that has a supermarket customer base with more than 50% living  
15 in a low income census tract, or an area that has demonstrated  
16 significant access limitations due to travel distance.

17 Sec. 8. (1) If the taxable value of the property proposed to  
18 be exempt pursuant to an application under consideration,  
19 considered together with the aggregate taxable value of property  
20 exempt under certificates previously granted and currently in force  
21 under this act or under 1974 PA 198, MCL 207.551 to 207.572,  
22 exceeds 5% of the taxable value of the qualified local governmental  
23 unit, the legislative body of the qualified local governmental unit  
24 shall make a separate finding and shall include a statement in its  
25 resolution approving the application that exceeding that amount  
26 shall not have the effect of substantially impeding the operation  
27 of the qualified local governmental unit or impairing the financial

1 soundness of an affected taxing unit.

2 (2) The legislative body of the qualified local governmental  
3 unit shall not approve an application for a commercial  
4 rehabilitation exemption certificate unless the applicant complies  
5 with all of the following requirements:

6 (a) Except as otherwise provided in this subdivision **OR**  
7 **SUBSECTION (3)**, the commencement of the rehabilitation of the  
8 qualified facility does not occur earlier than 6 months before the  
9 applicant files the application for the commercial rehabilitation  
10 exemption certificate. However, through December 31, 2009, for a  
11 qualified facility that is a qualified retail food establishment,  
12 the commencement of the rehabilitation does not occur earlier than  
13 42 months before the applicant files the application for the  
14 commercial rehabilitation exemption certificate.

15 (b) The application relates to a rehabilitation program that  
16 when completed constitutes a qualified facility within the meaning  
17 of this act and that shall be situated within a commercial  
18 rehabilitation district established in a qualified local  
19 governmental unit eligible under this act.

20 (c) Completion of the qualified facility is calculated to, and  
21 will at the time of issuance of the certificate have the reasonable  
22 likelihood to, increase commercial activity, create employment,  
23 retain employment, prevent a loss of employment, revitalize urban  
24 areas, or increase the number of residents in the community in  
25 which the qualified facility is situated.

26 (d) The applicant states, in writing, that the rehabilitation  
27 of the qualified facility, excluding qualified retail food

1 establishments through December 31, 2009, would not be undertaken  
2 without the applicant's receipt of the exemption certificate.

3 (e) The applicant is not delinquent in the payment of any  
4 taxes related to the qualified facility.

5 (3) THE PROVISIONS OF SUBSECTION (2)(A) AND (D) AND THE  
6 PROVISION CONTAINED IN SECTION 4(1) THAT PROVIDES THAT THE DISTRICT  
7 MUST BE ESTABLISHED BEFORE AN APPLICATION IS FILED DO NOT APPLY TO  
8 THE REHABILITATION OF A QUALIFIED FACILITY LOCATED IN A COMMERCIAL  
9 REHABILITATION DISTRICT ESTABLISHED BY THE LEGISLATIVE BODY OF THE  
10 QUALIFIED LOCAL GOVERNMENTAL UNIT IN 2011 FOR CONSTRUCTION OR  
11 REHABILITATION THAT WAS COMMENCED IN AUGUST 2010 AND FOR WHICH AN  
12 APPLICATION FOR A COMMERCIAL REHABILITATION EXEMPTION CERTIFICATE  
13 WAS FILED IN JUNE 2010.