



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5163 (Substitute H-1 as passed by the House)
Sponsor: Representative Kurt Heise
House Committee: Appropriations
Senate Committee: Local Government

Date Completed: 3-14-16

CONTENT

The bill would repeal the Michigan Urban Land Assembly Act and require the State Treasurer to transfer all money in the Urban Land Assembly Fund to the Land Bank Fast Track Fund and close the Urban Land Assembly Fund.

Any loan repayments that otherwise would be made to that Fund would have to be made to the Land Bank Fast Track Fund.

The bill would take effect 90 days after enactment.

MCL 124.768

BACKGROUND

Urban Land Assembly Program

The Michigan Urban Land Assembly Act was enacted in 1981 to address the lack of available sites for new commercial and industrial facilities, particularly in older cities. This situation was seen as contributing to a decline in urban economic development. Evidently, cities owned few vacant industrial sites, private investors were reluctant to place industrial parcels on the market, and land prices in inner cities typically were higher than prices in suburban areas. In addition, land acquisition and development procedures were considered inadequate to enable cities to assemble the parcels needed by industrial developers.

The Urban Land Assembly Act created the Urban Land Assembly Fund in the State Treasury. The Act requires the Fund to be used in assembling parcels of real property in cities for economic development purposes. Originally, the program was administered by what was then the Department of Commerce. Currently, it is administered by the Michigan Economic Development Corporation in the Department of Talent and Economic Development.

Cities may apply for a loan for a land assembly project and must prove that they meet funding eligibility criteria established by the Department. A loan application must contain items set forth in the Act, including a demonstration that, within the city, there is a severe shortage of industrial real property parcels for new or expanded industrial development, or a shortage of commercial real property parcels in the area under the jurisdiction of a downtown development authority.

Upon the sale or lease of the real property to an industrial or commercial user, the city or its designated nonprofit development organization must repay a portion of the proceeds to the

Fund. If the proceeds do not fully repay the loan, the remainder must be repaid within 10 years according to the terms of the loan document executed between the city and the Department.

Land Bank Fast Track Authority

The Land Bank Fast Track Act was enacted in 2003 to facilitate the rehabilitation and reuse of publicly owned property, including tax-reverted property (property that has reverted to government ownership due to tax delinquency), and expedite its return to the tax rolls. The Act created the Land Bank Fast Track Fund and the Land Bank Fast Track Authority. The Authority may acquire, own, and hold property; initiate actions to quiet title to property; and manage, sell, exchange, lease, renovate, develop, and demolish property in its inventory. The Authority may convey property in a manner and for an amount that it considers proper, fair, and in the best interest of the community and the State. The land bank program is administered within the Department of Talent and Economic Development.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would move all funds in, and loan repayments due to, the Michigan Urban Land Assembly Fund from that Fund to the Land Bank Fast Track Fund. As of September 30, 2015, the balance in the Urban Land Assembly Fund was \$5,057,473, with no new grants or loans being approved. However, \$2.0 million is recorded as a loss due to agreements in the Detroit bankruptcy. There are no estimated administrative costs associated with this dissolution and transfer of funds.

Fiscal Analyst: Cory Savino

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