

SENATE BILL No. 139

February 14, 1989, Introduced by Senators HOLMES and O'BRIEN and referred to the Committee on Finance.

A bill to provide for the development and rehabilitation of residential housing in certain areas; to provide for exemption from certain taxes; to provide for obtaining residential facilities exemption certificates and to prescribe the contents of the certificates; to levy and collect a specific tax upon the owners of certain facilities; to provide for the disposition of the tax; to prescribe the powers and duties of the state tax commission, the state housing development authority, and certain officers of the state and local governmental units; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Authority" means the state housing development
3 authority created in the state housing development authority act

1 of 1966, Act No. 346 of the Public Acts of 1966, being sections
2 125.1401 to 125.1498f of the Michigan Compiled Laws.

3 (b) "Commission" means the state tax commission created by
4 Act No. 360 of the Public Acts of 1927, being sections 209.101
5 to 209.107 of the Michigan Compiled Laws.

6 (c) "Designated area" means an area for which the authority
7 has received from a local governmental unit a neighborhood part-
8 nership plan that establishes as a goal that at least 75% of the
9 property in the area will be brought to a safe and sanitary con-
10 dition that complies with local code standards for occupancy and
11 that enables the authority to determine that available private,
12 public, and authority resources will be combined in a manner that
13 would enable a majority of the housing in the area to be brought
14 to a safe and sanitary condition that complies with local code
15 standards for occupancy. To qualify as a designated area, the
16 area shall be in a local governmental unit and shall meet all of
17 the following criteria:

18 (i) The increase in the state equalized value of real and
19 personal property in the area is less than the increase in the
20 local governmental unit or statewide average, whichever is the
21 lesser increase.

22 (ii) The poverty rate in the area is greater than the state-
23 wide average as determined by the most recent federal decennial
24 census.

25 (iii) The median income of the area is less than 80% of the
26 statewide or local governmental unit median, whichever is

1 greater, as determined using the most recent federal decennial
2 census.

3 (iv) The percentage of overcrowded or underutilized housing
4 units or underutilized residential parcels in the designated area
5 is greater than the local governmental unit average.

6 (d) "Local governmental unit" means a city that meets either
7 of the following criteria:

8 (i) Has a population of 14,000 or more and 65% or more of
9 owner occupied housing units within the city have a value of less
10 than \$20,000.00.

11 (ii) Has a population of 39,000 or more and 21% or more of
12 owner occupied housing units within the city have a value of less
13 than \$20,000.00.

14 (e) "Neighborhood partnership plan" means a plan that has
15 been prepared, recommended, and submitted to the local governmen-
16 tal unit's legislative body by its chief executive officer or his
17 or her designee and approved by resolution of the legislative
18 body. The plan shall provide the following information:

19 (i) A description of the boundaries of the proposed desig-
20 nated area, the approximate number of structures in that area,
21 the existing physical conditions in the area, the number of
22 structures and housing units to be constructed or rehabilitated,
23 and the approximate cost of the construction and rehabilitation.

24 (ii) The resources available and committed to finance the
25 proposed construction and rehabilitation. For each owner intend-
26 ing to participate, the plan shall include an agreement and
27 statement of that intent and financial information indicating the

1 ability to participate. The plan shall demonstrate through these
2 documents that the goals are realistically attainable.

3 (iii) A demonstration that the plan is consistent with any
4 publicly adopted plans for the area that are already in place,
5 including, but not limited to, a master plan, development plan,
6 or other neighborhood improvement projects that the local govern-
7 mental unit has funded or otherwise made a commitment to.

8 (f) "New facility" means a new structure that has as its
9 primary purpose residential housing consisting of 1 or 2 units.

10 (g) "Owner" means the record title holder of a parcel of
11 property for which a residential facilities exemption certificate
12 is issued or applied for or the vendee of the original land con-
13 tract covering a parcel.

14 (h) "Owner's mortgage" means a mortgage or land contract
15 used by the owner to finance the purchase or rehabilitation of a
16 parcel of property for which a residential facilities exemption
17 certificate is issued or applied for, or any refinancing of the
18 outstanding principal balance of the mortgage or land contract.

19 (i) "Rehabilitated facility" means a structure of up to 8
20 residential units meeting the requirements set forth in section
21 7(3).

22 (j) "Residential facilities exemption certificate" means a
23 certificate issued pursuant to sections 4, 5, and 6.

24 Sec. 2. A local governmental unit, by resolution of its
25 legislative body, may approve a residential facilities exemption
26 certificate in a designated area.

1 Sec. 3. (1) The prospective owner of a proposed new
2 facility or an owner proposing to rehabilitate his or her
3 property located within a designated area may file an application
4 for a residential facilities exemption certificate with the clerk
5 of the local governmental unit. The application shall be filed
6 in the manner and form prescribed by the commission. The appli-
7 cation shall contain or be accompanied by a general description
8 of the new facility or proposed rehabilitation, the general
9 nature and extent of the construction to be undertaken, a time
10 schedule for undertaking and completing the rehabilitation of
11 property or the construction of the new facility, an estimate of
12 the amount of construction to be completed by the prospective
13 owner or members of the prospective owner's family or the amount
14 of materials and labor provided in the rehabilitation of the
15 facility by the owner or members of the owner's family, and
16 information relating to the requirements of section 7.

17 (2) Upon receipt of an application for a residential facili-
18 ties exemption certificate, the clerk of the local governmental
19 unit shall give written notice to the assessor of the assessing
20 unit in which the new facility or rehabilitated facility is to be
21 located, and to the legislative body of each taxing unit that
22 levies ad valorem property taxes in the local governmental unit
23 in which the new facility or rehabilitated facility is to be
24 located. Before acting upon the application, the legislative
25 body of the local governmental unit shall afford the applicant,
26 the assessor, and a representative of the affected taxing units
27 an opportunity for a hearing.

1 Sec. 4. Not more than 60 days after receipt by its clerk of
2 an application under section 3, the legislative body of the local
3 governmental unit by resolution shall either approve or disap-
4 prove the application for a residential facilities exemption cer-
5 tificate in accordance with section 7 and the other provisions of
6 this act. If disapproved, the reasons shall be set forth in
7 writing in the resolution, and the clerk shall return the appli-
8 cation to the applicant. If approved, the clerk shall forward
9 the application to the commission.

10 Sec. 5. (1) Not later than 60 days after receipt of an
11 approved application, the commission shall determine whether the
12 structure is to be used primarily as a new facility and otherwise
13 complies with section 7 and the other provisions of this act.
14 For a rehabilitated facility, the commission shall determine if
15 the facility complies with section 7. If the commission so
16 finds, it shall issue a residential facilities exemption
17 certificate.

18 (2) Upon issuance of a residential facilities exemption cer-
19 tificate, the commission shall send the certificate by certified
20 mail to the applicant and a certified copy by certified mail to
21 the assessor of the assessing unit in which the new facility or
22 rehabilitated facility is to be located. The copy shall be filed
23 on record in the assessor's office. Notice of the commission's
24 refusal to issue a certificate shall be sent by certified mail to
25 the same persons.

26 Sec. 6. (1) A new facility or a rehabilitated facility for
27 which a residential facilities exemption certificate is in

1 effect, but not the land on which the new facility or
2 rehabilitated facility is located, shall be exempt from ad
3 valorem real and personal property taxes imposed under the gen-
4 eral property tax act, Act No. 206 of the Public Acts of 1893,
5 being sections 211.1 to 211.157 of the Michigan Compiled Laws,
6 for the period beginning on the effective date of the certificate
7 and continuing so long as the residential facilities exemption
8 certificate is in force.

9 (2) The owner of a new facility or rehabilitated facility
10 exempt from the ad valorem real and personal property taxes as
11 provided in this section shall pay an annual specific tax to be
12 known as the residential facilities tax. The tax for a new
13 facility shall be determined by multiplying the state equalized
14 value of the new facility, not including the land, by $1/5$ of the
15 total mills levied as ad valorem taxes for that year by all
16 taxing units within which the facility is situated. The tax for
17 a rehabilitated facility shall be determined by multiplying the
18 state equalized value of the rehabilitated facility, not includ-
19 ing the land, in the year immediately before the first year in
20 which the residential facilities exemption certificate is in
21 effect by the total mills levied as ad valorem taxes for the year
22 by all taxing units within which the facility is situated. The
23 residential facilities tax shall be collected, assessed, and dis-
24 bursed in the same manner as provided for the collection, assess-
25 ment, and disbursement of the commercial facilities tax in sec-
26 tion 12(5) of the commercial redevelopment act, Act No. 255 of
27 the Public Acts of 1978, being section 207.662 of the Michigan

1 Compiled Laws, and shall be a lien until paid on the real
2 property to which the certificate is applicable in the same
3 manner as provided in section 13 of Act No. 255 of the Public
4 Acts of 1978, being section 207.663 of the Michigan Compiled
5 Laws. The continuance of a residential facilities exemption cer-
6 tificate shall be conditional upon the annual payment of the res-
7 idential facilities tax imposed pursuant to this section.

8 Sec. 7. (1) In its resolution approving an application for
9 a residential facilities exemption certificate, the legislative
10 body of the local governmental unit shall set forth a finding and
11 determination that the granting of the residential facilities
12 exemption certificate, considered together with the aggregate
13 amount of residential facilities exemption certificates previ-
14 ously granted and currently in force, shall not have the effect
15 of substantially impeding the operation of the local governmental
16 unit or impairing the financial soundness of a taxing unit that
17 levies an ad valorem property tax in the local governmental unit
18 in which the new facility is to be located.

19 (2) The legislative body of the local governmental unit
20 shall not approve an application and the commission shall not
21 grant a residential facilities exemption certificate for a new
22 facility unless the applicant complies with all of the following
23 requirements:

24 (a) The application relates to a construction program that
25 when completed constitutes a new facility.

26 (b) The new facility has not yet been occupied.

1 (c) The prospective owner of the new facility or members of
2 the prospective owner's family will personally contribute
3 physical labor, materials, or both, in the construction of the
4 new facility. The contribution of physical labor, materials, or
5 both, shall be 10% or less of the value of the new facility as
6 calculated by the authority.

7 (d) The new facility will be located on previously empty
8 land or where otherwise abandoned buildings were previously
9 located creating a future increased tax base.

10 (e) The new facility will be occupied as a permanent resi-
11 dence by the owner of the facility.

12 (f) The new facility must comply with minimum local code
13 standards for occupancy.

14 (3) The legislative body of the local governmental unit
15 shall not approve an application and the commission shall not
16 grant a residential facilities exemption certificate for a reha-
17 bilitated facility unless the applicant complies with all of the
18 following requirements:

19 (a) The applicant proposes substantial construction or reha-
20 bilitation that will significantly improve the basic livability
21 of the home and will comply with minimum local code standards for
22 occupancy.

23 (b) The owner of the proposed rehabilitated facility or mem-
24 bers of the owner's family will personally contribute physical
25 labor, materials, or both, in the rehabilitation of the
26 facility. The contribution of physical labor, materials, or

1 both, shall be 10% or less of the value of the improvement as
2 calculated by the authority.

3 (c) The proposed rehabilitated facility will be occupied as
4 a permanent residence by the owner of the facility.

5 Sec. 8. The assessor of each city or township in which
6 there is a new facility or a rehabilitated facility for which 1
7 or more residential facilities exemption certificates are issued
8 and in effect shall determine annually as of December 31 the
9 value of each new facility and rehabilitated facility separately,
10 both for real and personal property, having the benefit of the
11 certificates. Upon receipt of notice of the filing of an appli-
12 cation for the issuance of a residential facilities exemption
13 certificate, the assessor of each city or township shall deter-
14 mine and furnish to the local legislative body and the commission
15 the value of the property to which the application pertains and
16 other information necessary to permit the local legislative body
17 and the commission to make the determination required by section
18 7(1).

19 Sec. 9. (1) Upon receipt of a request by certified mail to
20 the commission by the holder of a residential facilities exemp-
21 tion certificate requesting revocation of the certificate, the
22 commission by order shall revoke the certificate.

23 (2) The legislative body of a local governmental unit by
24 resolution may request the commission to revoke the residential
25 facilities exemption certificate of a new facility upon the
26 grounds that completion of the new facility or the rehabilitation
27 of a facility has not occurred within 2 years after the effective

1 date of the certificate if an extension is not granted by the
2 local governmental unit; that the holder of the certificate
3 failed to proceed in good faith with the construction or rehabil-
4 itation of the facility in a manner consistent with the purposes
5 of this act, in the absence of circumstances that are beyond the
6 control of the holder; or that the physical labor, materials, or
7 both, provided by the owner or owner's family members did not
8 equal in value the percentage of the value of the new facility or
9 of the improvement to a rehabilitated facility as calculated and
10 determined by an inspection by the authority at the completion of
11 the work that the owner proposed in the application.

12 (3) Upon receipt of the resolution, the commission shall
13 give written notice by certified mail to the holder of the resi-
14 dential facilities exemption certificate, to the local legisla-
15 tive body, to the assessor of the assessing unit, and to the leg-
16 islative body of each local taxing unit that levies taxes upon
17 property in the local governmental unit in which the new facility
18 is located. The commission shall provide the holder of the cer-
19 tificate, the local legislative body, the assessor, and a repre-
20 sentative of the legislative body of each taxing unit an opportu-
21 nity for a hearing. If the commission finds that completion of
22 the new facility has not occurred within 2 years after the effec-
23 tive date of the certificate, that the holder of the certificate
24 has not proceeded in good faith with the construction of the
25 facility in a manner consistent with the purposes of this act, in
26 the absence of circumstances that are beyond the control of the
27 holder, or that the physical labor, materials, or both, provided

1 by the owner or owner's family members did not equal the
2 percentage of the value of the new facility or of the improvement
3 to a rehabilitated facility that the owner proposed in the appli-
4 cation, the commission by order shall revoke the certificate.

5 (4) The order of the commission revoking the residential
6 facilities exemption certificate shall be effective beginning the
7 December 31 following the date of the order. The commission
8 shall send by certified mail copies of its order of revocation to
9 the holder of the certificate, to the local legislative body, to
10 the assessor of the assessing unit in which the new facility or
11 rehabilitated facility is located, and to the legislative body of
12 each taxing unit that levies taxes upon property in the local
13 governmental unit in which the new facility or rehabilitated
14 facility is located.

15 Sec. 10. (1) Unless earlier revoked as provided in section
16 9, a residential facilities exemption certificate shall remain in
17 effect until December 31 of the year in which the owner no longer
18 resides in the facility or owns the facility, the year in which
19 the owner's mortgage is paid, or 15 years from the date of issu-
20 ance, whichever is first.

21 (2) The date of issuance of a certificate of occupancy, if
22 one is required, by the appropriate municipal authority shall be
23 the date of completion of the new facility.

24 Sec. 11. (1) The assessor of each city or township in which
25 is located a new facility or a rehabilitated facility for which a
26 residential facilities exemption certificate is in effect shall
27 determine annually, with respect to each new facility and

1 rehabilitated facility, an assessment of the real and personal
2 property comprising the facility having the benefit of a residen-
3 tial facilities exemption certificate that would have been made
4 under the general property tax act, Act No. 206 of the Public
5 Acts of 1893, being sections 211.1 to 211.157 of the Michigan
6 Compiled Laws, if the certificate had not been in force. A
7 holder of a residential facilities exemption certificate shall
8 furnish to the assessor the information necessary for the
9 determination.

10 (2) After making the determination, the assessor shall annu-
11 ally notify the commission, the legislative body of each taxing
12 unit that levies taxes upon property in the city or township in
13 which the new facility or rehabilitated facility is located, and
14 the holder of the residential facilities exemption certificate of
15 the determination, separately stating the determinations for real
16 property and personal property. The notice shall be sent by cer-
17 tified mail not later than October 15 and shall be based upon the
18 valuation as of the preceding December 31.

19 Sec. 12. The commission may promulgate rules necessary for
20 the administration of this act pursuant to the administrative
21 procedures act of 1969, Act No. 306 of the Public Acts of 1969,
22 being sections 24.201 to 24.328 of the Michigan Compiled Laws.

23 Sec. 13. A residential facilities exemption certificate
24 shall be in the form the commission determines and shall contain
25 both of the following:

1 (a) A legal description of the real property on which the
2 new facility is to be located or the legal description of the
3 rehabilitated property.

4 (b) A statement that unless revoked as provided in this act
5 the residential facilities exemption certificate shall remain in
6 effect for the period stated in the certificate.

7 Sec. 14. A party aggrieved by the issuance, refusal to
8 issue, revocation, or modification of a residential facilities
9 exemption certificate may appeal from the finding and order of
10 the commission in the manner and form and within the time pro-
11 vided by the administrative procedures act of 1969, Act No. 306
12 of the Public Acts of 1969, being sections 24.201 to 24.328 of
13 the Michigan Compiled Laws.

14 Sec. 15. The authority shall issue a report to the legisla-
15 ture and the office of the governor within 10 years after the
16 granting of the first residential facilities exemption certifi-
17 cate evaluating this program to determine whether the granting of
18 residential facilities exemption certificates has resulted in the
19 stabilization of designated areas, the upgrade and revitalization
20 of neighborhoods, an increase in availability of jobs, and the
21 achievement of providing safe and suitable housing for low and
22 moderate income persons.

23 Sec. 16. A residential facilities exemption certificate
24 shall not be granted after December 31, 1997, but a residential
25 facilities exemption certificate then in effect shall continue
26 until the expiration of the certificate.