Legislative Analysis

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COMMERCIAL REDEVELOPMENT ACT: ADD MULTIFAMILY RESIDENCES

House Bill 6043
Sponsor: Rep. John Pastor
Committee: Commerce

Complete to 6-13-06

A REVISED SUMMARY OF HOUSE BILL 6043 AS INTRODUCED 5-9-06

Public Act 210 of 2005 created a new act, the Commercial Rehabilitation Act, under which certain rehabilitated commercial property in specially designated districts can receive a reduction in property taxes for one to ten years, with the length determined by the local unit of government (a city, village, or township).

House Bill 6043 would amend the definitions section of the act to revise the eligibility requirements for commercial property. Under the bill, property used for multifamily residential use would be eligible if it is 15 years old or older.

Certain existing requirements for eligible projects would be removed from the act. Currently, the commercial rehabilitation district established by the local unit must contain at least 75 acres. The bill would delete this requirement. Currently, to be a qualified facility the buildings involved must consist of one million or more square feet of space that had been 40 percent vacant for the previous 12 months or more. The bill would also delete that requirement.

Under the act a "qualified facility" is exempt from standard property taxes (although not the land or personal property). Instead the facility would be subject to a newly created specific tax that would, generally speaking, base the tax liability of the facility on its value prior to rehabilitation. 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.

MCL 207.842

FISCAL IMPACT:

For eligible properties, the bill would freeze real property tax on the building itself at its pre-improvement level for a period of 1 to 10 years. The improvements to the building 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.

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