

# HOUSE BILL No. 5989

April 25, 2006, Introduced by Rep. Farhat and referred to the Committee on Commerce.

A bill to amend 2000 PA 146, entitled  
"Obsolete property rehabilitation act,"  
by amending sections 2, 3, 4, 5, 6, 7, 8, 9, 12, 13, 14, 15, and 17  
(MCL 125.2782, 125.2783, 125.2784, 125.2785, 125.2786, 125.2787,  
125.2788, 125.2789, 125.2792, 125.2793, 125.2794, 125.2795, and  
125.2797), section 2 as amended by 2006 PA 70.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 2. As used in this act:

2       (a) "Commercial housing property" means that portion of real  
3       property not occupied by an owner of that real property that is  
4       classified as residential real property under section 34c of the  
5       general property tax act, 1893 PA 206, MCL 211.34c, is a multiple-  
6       unit dwelling, or is a dwelling unit in a multiple-purpose

1 structure, used for residential purposes. Commercial housing  
2 property also includes a building or group of contiguous buildings  
3 previously used for industrial purposes that will be converted to a  
4 multiple-unit dwelling or dwelling unit in a multiple-purpose  
5 structure, used for residential purposes.

6 (b) "Commercial property" means land improvements classified  
7 by law for general ad valorem tax purposes as real property  
8 including buildings and improvements assessable as real property  
9 pursuant to sections 8(d) and 14(6) of the general property tax  
10 act, 1893 PA 206, MCL 211.8 and 211.14, the primary purpose and use  
11 of which is the operation of a commercial business enterprise.  
12 Commercial property shall also include facilities related to a  
13 commercial business enterprise under the same ownership at that  
14 location, including, but not limited to, office, engineering,  
15 research and development, warehousing, parts distribution, retail  
16 sales, and other commercial activities. Commercial property also  
17 includes a building or group of contiguous buildings previously  
18 used for industrial purposes that will be converted to the  
19 operation of a commercial business enterprise or a multiple-unit  
20 dwelling or a dwelling unit in a multiple-purpose structure, used  
21 for residential purposes. Commercial property does not include any  
22 of the following:

23 (i) Land.

24 (ii) Property of a public utility.

25 (c) "Commission" means the state tax commission created by  
26 1927 PA 360, MCL 209.101 to 209.107.

27 (d) "Department" means the department of treasury.

1 (e) "Facility", except as otherwise provided in this act,  
2 means a building or group of contiguous buildings.

3 (f) "Functionally obsolete" means that term as defined in  
4 section 2 of the brownfield redevelopment financing act, 1996 PA  
5 381, MCL 125.2652.

6 (G) "LOCAL GOVERNMENTAL UNIT" MEANS A CITY, VILLAGE, TOWNSHIP,  
7 OR A QUALIFIED LOCAL GOVERNMENTAL UNIT.

8 (H) ~~(g)~~ "Obsolete properties tax" means the specific tax  
9 levied under this act.

10 (I) ~~(h)~~ "Obsolete property" means commercial property or  
11 commercial housing property, that is 1 or more of the following:

12 (i) Blighted, as that term is defined in section 2 of the  
13 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2652.

14 (ii) A facility as that term is defined under section 20101 of  
15 the natural resources and environmental protection act, 1994 PA  
16 451, MCL 324.20101.

17 (iii) Functionally obsolete.

18 (J) ~~(i)~~ "Obsolete property rehabilitation district" means an  
19 area of a ~~qualified~~ local governmental unit established as  
20 provided in section 3. Only those properties within the district  
21 meeting the definition of "obsolete property" are eligible for an  
22 exemption certificate issued pursuant to section 6.

23 (K) ~~(j)~~ "Obsolete property rehabilitation exemption  
24 certificate" or "certificate" means the certificate issued pursuant  
25 to section 6.

26 (L) ~~(k)~~ "Qualified local governmental unit" means 1 or more  
27 of the following:

1 (i) A city with a median family income of 150% or less of the  
2 statewide median family income as reported in the 1990 federal  
3 decennial census that meets 1 or more of the following criteria:

4 (A) Contains or has within its borders an eligible distressed  
5 area as that term is defined in section 11(u)(ii) and (iii) of the  
6 state housing development authority act of 1966, 1966 PA 346, MCL  
7 125.1411.

8 (B) Is contiguous to a city with a population of 500,000 or  
9 more.

10 (C) Has a population of 10,000 or more that is located outside  
11 of an urbanized area as delineated by the United States bureau of  
12 the census.

13 (D) Is the central city of a metropolitan area designated by  
14 the United States office of management and budget.

15 (E) Has a population of 100,000 or more that is located in a  
16 county with a population of 2,000,000 or more according to the 1990  
17 federal decennial census.

18 (ii) A township with a median family income of 150% or less of  
19 the statewide median family income as reported in the 1990 federal  
20 decennial census that meets 1 or more of the following criteria:

21 (A) Is contiguous to a city with a population of 500,000 or  
22 more.

23 (B) All of the following:

24 (I) Contains or has within its borders an eligible distressed  
25 area as that term is defined in section 11(u)(ii) of the state  
26 housing development authority act of 1966, 1966 PA 346, MCL  
27 125.1411.

1 (II) Has a population of 10,000 or more.

2 (iii) A village with a population of 500 or more as reported in  
3 the 1990 federal decennial census located in an area designated as  
4 a rural enterprise community before 1998 under title XIII of the  
5 omnibus budget reconciliation act of 1993, Public Law 103-66, 107  
6 Stat. 416.

7 (iv) A city that meets all of the following criteria:

8 (A) Has a population of more than 20,000 or less than 5,000  
9 and is located in a county with a population of 2,000,000 or more  
10 according to the 1990 federal decennial census.

11 (B) As of January 1, 2000, has an overall increase in the  
12 state equalized valuation of real and personal property of less  
13 than 65% of the statewide average increase since 1972 as determined  
14 for the designation of eligible distressed areas under section  
15 11(u)(ii)(B) of the state housing development authority act of 1966,  
16 1966 PA 346, MCL 125.1411.

17 (M) ~~-(I)-~~ "Rehabilitation" means changes to obsolete property  
18 other than replacement that are required to restore or modify the  
19 property, together with all appurtenances, to an economically  
20 efficient condition. Rehabilitation includes major renovation and  
21 modification including, but not necessarily limited to, the  
22 improvement of floor loads, correction of deficient or excessive  
23 height, new or improved fixed building equipment, including  
24 heating, ventilation, and lighting, reducing multistory facilities  
25 to 1 or 2 stories, adding additional stories to a facility or  
26 adding additional space on the same floor level not to exceed 100%  
27 of the existing floor space on that floor level, improved

1 structural support including foundations, improved roof structure  
2 and cover, floor replacement, improved wall placement, improved  
3 exterior and interior appearance of buildings, and other physical  
4 changes required to restore or change the obsolete property to an  
5 economically efficient condition. Rehabilitation shall not include  
6 improvements aggregating less than 10% of the true cash value of  
7 the property at commencement of the rehabilitation of the obsolete  
8 property.

9 (N) ~~—(m)—~~ "Rehabilitated facility" means a commercial property  
10 or commercial housing property that has undergone rehabilitation or  
11 is in the process of being rehabilitated, including rehabilitation  
12 that changes the intended use of the building. A rehabilitated  
13 facility does not include property that is to be used as a  
14 professional sports stadium. A rehabilitated facility does not  
15 include property that is to be used as a casino. As used in this  
16 subdivision, "casino" means a casino or a parking lot, hotel,  
17 motel, or retail store owned or operated by a casino, an affiliate,  
18 or an affiliated company, regulated by this state pursuant to the  
19 Michigan gaming control and revenue act, the Initiated Law of 1996,  
20 MCL 432.201 to 432.226.

21 (O) ~~—(n)—~~ "Taxable value" means the value determined under  
22 section 27a of the general property tax act, 1893 PA 206, MCL  
23 211.27a.

24 Sec. 3. (1) A ~~—qualified—~~ local governmental unit, by  
25 resolution of its legislative body, may establish 1 or more  
26 obsolete property rehabilitation districts that may consist of 1 or  
27 more parcels or tracts of land or a portion of a parcel or tract of

1 land, if at the time the resolution is adopted, the parcel or tract  
2 of land or portion of a parcel or tract of land within the district  
3 is either of the following:

4 (a) Obsolete property in an area characterized by obsolete  
5 commercial property or commercial housing property.

6 (b) Commercial property that is obsolete property that was  
7 owned by a ~~qualified~~ local governmental unit on ~~the effective~~  
8 ~~date of this act~~ **JUNE 6, 2000**, and subsequently conveyed to a  
9 private owner.

10 (2) The legislative body of a ~~qualified~~ local governmental  
11 unit may establish an obsolete property rehabilitation district on  
12 its own initiative or upon a written request filed by the owner or  
13 owners of property comprising at least 50% of all taxable value of  
14 the property located within a proposed obsolete property  
15 rehabilitation district. The written request must be filed with the  
16 clerk of the ~~qualified~~ local governmental unit.

17 (3) Before adopting a resolution establishing an obsolete  
18 property rehabilitation district, the legislative body shall give  
19 written notice by certified mail to the owners of all real property  
20 within the proposed obsolete property rehabilitation district and  
21 shall afford an opportunity for a hearing on the establishment of  
22 the obsolete property rehabilitation district at which any of those  
23 owners and any other resident or taxpayer of the ~~qualified~~ local  
24 governmental unit may appear and be heard. The legislative body  
25 shall give public notice of the hearing not less than 10 days or  
26 more than 30 days before the date of the hearing.

27 (4) The legislative body of the ~~qualified~~ local governmental

1 unit, in its resolution establishing an obsolete property  
2 rehabilitation district, shall set forth a finding and  
3 determination that the district meets the requirements set forth in  
4 subsection (1).

5       Sec. 4. (1) If an obsolete property rehabilitation district is  
6 established under section 3, the owner of obsolete property may  
7 file an application for an obsolete property rehabilitation  
8 exemption certificate with the clerk of the ~~qualified~~ local  
9 governmental unit that established the obsolete property  
10 rehabilitation district. The application shall be filed in the  
11 manner and form prescribed by the commission. The application shall  
12 contain or be accompanied by a general description of the obsolete  
13 facility and a general description of the proposed use of the  
14 rehabilitated facility, the general nature and extent of the  
15 rehabilitation to be undertaken, a descriptive list of the fixed  
16 building equipment that will be a part of the rehabilitated  
17 facility, a time schedule for undertaking and completing the  
18 rehabilitation of the facility, a statement of the economic  
19 advantages expected from the exemption, including the number of  
20 jobs to be retained or created as a result of rehabilitating the  
21 facility, including expected construction employment, and  
22 information relating to the requirements in section 8.

23       (2) Upon receipt of an application for an obsolete property  
24 rehabilitation exemption certificate, the clerk of the ~~qualified~~  
25 local governmental unit shall notify in writing the assessor of the  
26 local tax collecting unit in which the obsolete facility is  
27 located, and the legislative body of each taxing unit that levies



1 ad valorem property taxes in the ~~qualified~~ local governmental  
2 unit in which the obsolete facility is located. Before acting upon  
3 the application, the legislative body of the ~~qualified~~ local  
4 governmental unit shall hold a public hearing on the application  
5 and give public notice to the applicant, the assessor, a  
6 representative of the affected taxing units, and the general  
7 public. The hearing on each application shall be held separately  
8 from the hearing on the establishment of the obsolete property  
9 rehabilitation district.

10 (3) Upon receipt of an application for an obsolete property  
11 rehabilitation exemption certificate for a facility located on  
12 property that was owned by a ~~qualified~~ local governmental unit on  
13 ~~the effective date of this act~~ **JUNE 6, 2000**, and subsequently  
14 conveyed to a private owner, the clerk of the ~~qualified~~ local  
15 governmental unit, in addition to the other requirements of this  
16 section, shall request the assessor of the local tax collecting  
17 unit in which the facility is located to determine the taxable  
18 value of the property. This determination shall be made prior to  
19 the hearing on the application for an obsolete property  
20 rehabilitation exemption certificate held pursuant to subsection  
21 (2).

22 Sec. 5. The legislative body of the ~~qualified~~ local  
23 governmental unit, not more than 60 days after receipt of the  
24 application by the clerk, shall by resolution either approve or  
25 disapprove the application for an obsolete property rehabilitation  
26 exemption certificate in accordance with section 8 and the other  
27 provisions of this act. The clerk shall retain the original of the

1 application and resolution. If approved, the clerk shall forward a  
2 copy of the application and resolution to the commission. If  
3 disapproved, the reasons shall be set forth in writing in the  
4 resolution, and the clerk shall send, by certified mail, a copy of  
5 the resolution to the applicant and to the assessor. A resolution  
6 is not effective unless approved by the commission as provided in  
7 section 6.

8       Sec. 6. (1) Not more than 60 days after receipt of a copy of  
9 the application and resolution adopted under section 5, the  
10 commission shall approve or disapprove the resolution.

11       (2) Following approval of the application by the legislative  
12 body of the ~~qualified~~ local governmental unit and the commission,  
13 the commission shall issue to the applicant an obsolete property  
14 rehabilitation exemption certificate in the form the commission  
15 determines, which shall contain all of the following:

16       (a) A legal description of the real property on which the  
17 obsolete facility is located.

18       (b) A statement that unless revoked as provided in this act  
19 the certificate shall remain in force for the period stated in the  
20 certificate.

21       (c) A statement of the taxable value of the obsolete property,  
22 separately stated for real and personal property, for the tax year  
23 immediately preceding the effective date of the certificate after  
24 deducting the taxable value of the land and personal property other  
25 than personal property assessed pursuant to sections 8(d) and 14(6)  
26 of the general property tax act, 1893 PA 206, MCL 211.8 and 211.14.

27       (d) A statement of the period of time authorized by the

1 legislative body of the ~~qualified~~ local governmental unit within  
2 which the rehabilitation shall be completed.

3 (e) If the period of time authorized by the legislative body  
4 of the ~~qualified~~ local governmental unit pursuant to subdivision  
5 (d) is less than 12 years, the exemption certificate shall contain  
6 the factors, criteria, and objectives, as determined by the  
7 resolution of the ~~qualified~~ local governmental unit, necessary  
8 for extending the period of time, if any.

9 (3) The effective date of the certificate is the December 31  
10 immediately following the date of issuance of the certificate.

11 (4) The commission shall file with the clerk of the ~~qualified~~  
12 local governmental unit a copy of the obsolete property  
13 rehabilitation exemption certificate, and the commission shall  
14 maintain a record of all certificates filed. The commission shall  
15 also send, by certified mail, a copy of the obsolete property  
16 rehabilitation exemption certificate to the applicant and the  
17 assessor of the local tax collecting unit in which the obsolete  
18 property is located.

19 Sec. 7. (1) A rehabilitated facility for which an obsolete  
20 property rehabilitation exemption certificate is in effect, but not  
21 the land on which the rehabilitated facility is located, or  
22 personal property other than personal property assessed pursuant to  
23 sections 8(d) and 14(6) of the general property tax act, 1893 PA  
24 206, MCL 211.8 and 211.14, for the period on and after the  
25 effective date of the certificate and continuing so long as the  
26 obsolete property rehabilitation exemption certificate is in force,  
27 is exempt from ad valorem property taxes collected under the

1 general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

2 (2) Unless earlier revoked as provided in section 12, an  
3 obsolete property rehabilitation exemption certificate shall remain  
4 in force and effect for a period to be determined by the  
5 legislative body of the ~~qualified~~ local governmental unit. The  
6 certificate may be issued for a period of at least 1 year, but not  
7 to exceed 12 years. If the number of years determined is less than  
8 12, the certificate may be subject to review by the legislative  
9 body of the ~~qualified~~ local governmental unit and the certificate  
10 may be extended. The total amount of time determined for the  
11 certificate including any extensions shall not exceed 12 years  
12 after the completion of the rehabilitated facility. The certificate  
13 shall commence with its effective date and end on the December 31  
14 immediately following the last day of the number of years  
15 determined. The date of issuance of a certificate of occupancy, if  
16 required by appropriate authority, shall be the date of completion  
17 of the rehabilitated facility.

18 (3) If the number of years determined by the legislative body  
19 of the ~~qualified~~ local governmental unit for the period a  
20 certificate remains in force is less than 12 years, the review of  
21 the certificate for the purpose of determining an extension shall  
22 be based upon factors, criteria, and objectives that shall be  
23 placed in writing, determined and approved at the time the  
24 certificate is approved by resolution of the legislative body of  
25 the ~~qualified~~ local governmental unit and sent, by certified  
26 mail, to the applicant, the assessor of the local tax collecting  
27 unit in which the obsolete property is located, and the commission.

1       Sec. 8. (1) If the taxable value of the property proposed to  
2 be exempt pursuant to an application under consideration,  
3 considered together with the aggregate taxable value of property  
4 exempt under certificates previously granted and currently in force  
5 under this act or under 1974 PA 198, MCL 207.551 to 207.572,  
6 exceeds 5% of the taxable value of the ~~qualified~~ local  
7 governmental unit, the legislative body of the ~~qualified~~ local  
8 governmental unit shall make a separate finding and shall include a  
9 statement in its resolution approving the application that  
10 exceeding that amount shall not have the effect of substantially  
11 impeding the operation of the ~~qualified~~ local governmental unit  
12 or impairing the financial soundness of an affected taxing unit.

13       (2) The legislative body of the ~~qualified~~ local governmental  
14 unit shall not approve an application for an obsolete property  
15 exemption certificate unless the applicant complies with all of the  
16 following requirements:

17       (a) The commencement of the rehabilitation of the facility  
18 does not occur before the establishment of the obsolete property  
19 rehabilitation district.

20       (b) The application relates to a rehabilitation program that  
21 when completed constitutes a rehabilitated facility within the  
22 meaning of this act and that shall be situated within an obsolete  
23 property rehabilitation district established in a ~~qualified~~ local  
24 governmental unit eligible under this act to establish such a  
25 district.

26       (c) Completion of the rehabilitated facility is calculated to,  
27 and will at the time of issuance of the certificate have the

1 reasonable likelihood to, increase commercial activity, create  
2 employment, retain employment, prevent a loss of employment,  
3 revitalize urban areas, or increase the number of residents in the  
4 community in which the facility is situated.

5 (d) The applicant states, in writing, that the rehabilitation  
6 of the facility would not be undertaken without the applicant's  
7 receipt of the exemption certificate.

8 (e) The applicant is not delinquent in the payment of any  
9 taxes related to the facility.

10 Sec. 9. The assessor of each ~~qualified~~ local governmental  
11 unit in which there is a rehabilitated facility with respect to  
12 which 1 or more obsolete property rehabilitation exemption  
13 certificates have been issued and are in force shall determine  
14 annually as of December 31 the value and taxable value, both for  
15 real and personal property, of each rehabilitated facility  
16 separately, having the benefit of a certificate and upon receipt of  
17 notice of the filing of an application for the issuance of a  
18 certificate, shall determine and furnish to the local legislative  
19 body the value and the taxable value of the property to which the  
20 application pertains and other information as may be necessary to  
21 permit the local legislative body to make the determinations  
22 required by section 8(2).

23 Sec. 12. The legislative body of the ~~qualified~~ local  
24 governmental unit may, by resolution, revoke the obsolete property  
25 rehabilitation exemption certificate of a facility if it finds that  
26 the completion of rehabilitation of the facility has not occurred  
27 within the time authorized by the legislative body in the exemption

1 certificate or a duly authorized extension of that time, or that  
2 the holder of the obsolete property exemption certificate has not  
3 proceeded in good faith with the operation of the rehabilitated  
4 facility in a manner consistent with the purposes of this act and  
5 in the absence of circumstances that are beyond the control of the  
6 holder of the exemption certificate.

7       Sec. 13. An obsolete property rehabilitation exemption  
8 certificate may be transferred and assigned by the holder of the  
9 certificate to a new owner of the rehabilitated facility if the  
10 ~~qualified~~ local governmental unit approves the transfer after  
11 application by the new owner.

12       Sec. 14. Not later than October 15 each year, each ~~qualified~~  
13 local governmental unit granting an obsolete property  
14 rehabilitation exemption shall report to the commission on the  
15 status of each exemption. The report must include the current value  
16 of the property to which the exemption pertains, the value on which  
17 the obsolete property rehabilitation tax is based, a current  
18 estimate of the number of jobs retained or created by the  
19 exemption, and a current estimate of the number of new residents  
20 occupying commercial housing property units covered by the  
21 exemption.

22       Sec. 15. (1) The department annually shall prepare and submit  
23 to the committees of the house of representatives and senate  
24 responsible for tax policy and economic development issues a report  
25 on the utilization of obsolete property rehabilitation districts,  
26 based on the information filed with the commission.

27       (2) After this act has been in effect for 3 years, the

1 department shall prepare and submit to the committees of the house  
2 of representatives and senate responsible for tax policy and  
3 economic development issues an economic analysis of the costs and  
4 benefits of this act in the 3 ~~qualified~~ local governmental units  
5 in which it has been most heavily utilized.

6       Sec. 17. (1) Within 60 days after the granting of an obsolete  
7 property rehabilitation exemption certificate under section 6 for a  
8 rehabilitated facility, the state treasurer may, for a period not  
9 to exceed 6 years, exclude up to 1/2 of the number of mills levied  
10 for school operating purposes under the revised school code, 1976  
11 PA 451, MCL 380.1 to 380.1852, and under the state education tax  
12 act, 1993 PA 331, MCL 211.901 to 211.906, from the specific tax  
13 calculation on the facility under section 10(2)(b) if the state  
14 treasurer determines that reducing the number of mills used to  
15 calculate the specific tax under section 10(2)(b) is necessary to  
16 reduce unemployment, promote economic growth, and increase capital  
17 investment in ~~qualified~~ local governmental units.

18       (2) The state treasurer shall not grant more than 25  
19 exclusions under this section each year.