

**SUBSTITUTE FOR
SENATE BILL NO. 422**

A bill to provide for the establishment of residential housing districts in certain local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain qualified residential facilities; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of certain state and local governmental officials; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "residential housing facilities act".

3 Sec. 2. As used in this act:

1 (a) "Commission" means the state tax commission created by
2 1927 PA 360, MCL 209.101 to 209.107.

3 (b) "Department" means the department of treasury.

4 (c) "New residential facility" means residential housing
5 property that is a new structure or a portion of a new structure
6 which is or will be occupied by an owner as his or her principal
7 residence.

8 (d) "Qualified local governmental unit" means a city, village,
9 or township.

10 (e) "Qualified residential facility" means a new residential
11 facility or a rehabilitated residential facility.

12 (f) "Rehabilitated residential facility" means existing
13 residential housing property that has been renovated, with an
14 investment of not less than \$50,000.00 in value as determined by
15 the qualified local governmental unit, to bring the property into
16 conformance with minimum local building code standards for
17 occupancy, as determined by the qualified local governmental unit.

18 (g) "Residential housing district" or "district" means an area
19 not less than 1 acre in size of a qualified local governmental unit
20 established as provided in section 3.

21 (h) "Residential housing exemption certificate" or
22 "certificate" means the certificate issued under section 6.

23 (i) "Residential housing property" means that portion of real
24 property that is used for residential purposes that is classified
25 as residential real property under section 34c of the general
26 property tax act, 1893 PA 206, MCL 211.34c, that is a multiple-unit
27 dwelling of more than 4 units, or is a dwelling unit in a multiple-
28 purpose structure, that is intended to be occupied by an
29 individual, couple, or group of adults earning a combined annual

1 income of 120% or less of the countywide area median income as
2 determined by the Michigan state housing development authority.
3 Residential housing property does not include any of the following:

4 (i) Land.

5 (ii) Property of a public utility.

6 (j) "Residential housing rehabilitation tax" or "specific tax"
7 means the specific tax levied under this act.

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

10 Sec. 3. (1) A qualified local governmental unit, by resolution
11 of its legislative body, may establish 1 or more residential
12 housing districts.

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

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

1 (4) The legislative body of the qualified local governmental
2 unit, in its resolution establishing a district, shall set forth a
3 finding and determination that there is a need for residential
4 housing within the district and shall provide a copy of the
5 resolution by certified mail to the county in which the district is
6 located.

7 (5) Within 28 days after receiving a copy of the resolution
8 establishing a district, the county may reject the establishment of
9 the district by 1 of the following methods:

10 (a) If the county has an elected county executive, by written
11 notification to the qualified local governmental unit.

12 (b) If the county does not have an elected county executive,
13 by a resolution of the county board of commissioners provided to
14 the qualified local governmental unit.

15 Sec. 4. (1) If a district is established under section 3, the
16 owner of a qualified residential facility may file an application
17 for a residential housing exemption certificate with the clerk of
18 the qualified local governmental unit that established the
19 district. The application shall be filed in the manner and form
20 prescribed by the commission. The application shall contain or be
21 accompanied by a general description of the qualified residential
22 facility, a general description of the proposed use of the
23 qualified residential facility, the general nature and extent of
24 the new construction or rehabilitation to be undertaken, a time
25 schedule for undertaking and completing the qualified residential
26 facility, and information relating to the requirements in section
27 8.

28 (2) Upon receipt of an application for a residential housing
29 exemption certificate, the clerk of the qualified local

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

12 Sec. 5. The legislative body of the qualified local
13 governmental unit, not more than 60 days after receipt of the
14 application by the clerk, shall by resolution either approve or
15 disapprove the application for a certificate in accordance with
16 section 8 and the other provisions of this act. The clerk shall
17 retain the original of the application and resolution. If approved,
18 the clerk shall forward a copy of the application and resolution to
19 the commission. If disapproved, the reasons shall be set forth in
20 writing in the resolution, and the clerk shall send, by certified
21 mail, a copy of the resolution to the applicant and to the
22 assessor. A resolution is not effective unless approved by the
23 commission as provided in section 6.

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

27 (2) Following approval of the application by the legislative
28 body of the qualified local governmental unit and the commission,
29 the commission shall issue to the applicant a certificate in the

1 form the commission determines, which shall contain all of the
2 following:

3 (a) The address of the real property on which the qualified
4 residential facility is located.

5 (b) A statement that unless revoked as provided in this act
6 the certificate shall remain in force for the period stated in the
7 certificate.

8 (c) A statement of the taxable value of the qualified
9 residential facility, separately stated for real and personal
10 property, for the tax year immediately preceding the effective date
11 of the certificate after deducting the taxable value of the land
12 and personal property other than personal property assessed
13 pursuant to sections 8(d) and 14(6) of the general property tax
14 act, 1893 PA 206, MCL 211.8 and 211.14.

15 (d) A statement of the period of time authorized by the
16 legislative body of the qualified local governmental unit within
17 which the rehabilitation or construction shall be completed.

18 (e) If the period of time authorized by the legislative body
19 of the qualified local governmental unit pursuant to subdivision
20 (b) is less than 12 years, the exemption certificate shall contain
21 the factors, criteria, and objectives, as determined by the
22 resolution of the qualified local governmental unit, necessary for
23 extending the period of time, if any.

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

26 (4) The commission shall file with the clerk of the qualified
27 local governmental unit a copy of the certificate, and the
28 commission shall maintain a record of all certificates filed. The
29 commission shall also send, by certified mail, a copy of the

1 certificate to the applicant and the assessor of the local tax
2 collecting unit in which the qualified residential facility is
3 located.

4 Sec. 7. (1) A qualified residential facility for which a
5 certificate is in effect, but not the land on which the qualified
6 residential facility is located, or personal property other than
7 personal property assessed pursuant to sections 8(d) and 14(6) of
8 the general property tax act, 1893 PA 206, MCL 211.8 and 211.14,
9 for the period on and after the effective date of the certificate
10 and continuing so long as the certificate is in force, is exempt
11 from ad valorem property taxes collected under the general property
12 tax act, 1893 PA 206, MCL 211.1 to 211.155.

13 (2) Unless earlier revoked as provided in section 12, a
14 certificate shall remain in force and effect for a period to be
15 determined by the legislative body of the qualified local
16 governmental unit. The certificate may be issued for a period of at
17 least 1 year, but not to exceed 12 years. If the number of years
18 determined is less than 12, the certificate may be subject to
19 review by the legislative body of the qualified local governmental
20 unit and the certificate may be extended. The total amount of time
21 determined for the certificate including any extensions shall not
22 exceed 12 years after the completion of the qualified residential
23 facility. The certificate shall commence with its effective date
24 and end on the December 30 immediately following the last day of
25 the number of years determined. The date of issuance of a
26 certificate of occupancy, if required by appropriate authority,
27 shall be the date of completion of the qualified residential
28 facility.

29 (3) If the number of years determined by the legislative body

1 of the qualified local governmental unit for the period a
2 certificate remains in force is less than 12 years, the review of
3 the certificate for the purpose of determining an extension shall
4 be based upon factors, criteria, and objectives that shall be
5 placed in writing, determined and approved at the time the
6 certificate is approved by resolution of the legislative body of
7 the qualified local governmental unit and sent, by certified mail,
8 to the applicant, the assessor of the local tax collecting unit in
9 which the qualified residential facility is located, and the
10 commission.

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

23 (2) The legislative body of the qualified local governmental
24 unit shall not approve an application for a certificate unless the
25 applicant will verify that the individual, couple, or group of
26 adults occupying each dwelling unit of the qualified residential
27 facility have a combined annual income of 120% or less of the
28 countywide area median income as determined by the Michigan state
29 housing development authority.

1 Sec. 9. The assessor of each qualified local governmental unit
2 in which there is a qualified residential facility with respect to
3 which 1 or more certificates have been issued and are in force
4 shall determine annually as of December 31 the value and taxable
5 value, both for real and personal property, of each qualified
6 residential facility separately, having the benefit of a
7 certificate and upon receipt of notice of the filing of an
8 application for the issuance of a certificate, shall determine and
9 furnish to the local legislative body the value and the taxable
10 value of the property to which the application pertains.

11 Sec. 10. (1) There is levied upon every owner of a qualified
12 facility to which a certificate is issued a specific tax to be
13 known as the residential housing facility tax.

14 (2) The amount of the specific tax, in each year, shall be
15 determined by multiplying 1/2 of the total mills levied as ad
16 valorem taxes for that year by all taxing units within which the
17 qualified residential facility is located by the current taxable
18 value of the real and personal property of the qualified
19 residential facility after deducting the taxable value of the land
20 and of personal property other than personal property assessed
21 pursuant to sections 8(d) and 14(6) of the general property tax
22 act, 1893 PA 206, MCL 211.8 and 211.14.

23 (3) The specific tax is an annual tax, payable at the same
24 times, in the same installments, and to the same officer or
25 officers as taxes imposed under the general property tax act, 1893
26 PA 206, MCL 211.1 to 211.155, are payable. Except as otherwise
27 provided in this section, the officer or officers shall disburse
28 the specific tax payments received by the officer or officers each
29 year to and among this state, cities, school districts, counties,

1 and authorities, at the same times and in the same proportions as
2 required by law for the disbursement of taxes collected under the
3 general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

4 (4) For intermediate school districts receiving state aid
5 under sections 56, 62, and 81 of the state school aid act of 1979,
6 1979 PA 94, MCL 388.1656, 388.1662, and 388.1681, of the amount of
7 specific tax that would otherwise be disbursed to an intermediate
8 school district, all or a portion, to be determined on the basis of
9 the tax rates being utilized to compute the amount of state aid,
10 shall be paid to the state treasury to the credit of the state
11 school aid fund established by section 11 of article IX of the
12 state constitution of 1963.

13 (5) The amount of specific tax described in subsection (2)
14 that would otherwise be disbursed to a local school district for
15 school operating purposes shall be paid instead to the state
16 treasury and credited to the state school aid fund established by
17 section 11 of article IX of the state constitution of 1963.

18 (6) The officer or officers shall send a copy of the amount of
19 disbursement made to each unit under this section to the department
20 on a form provided by the department.

21 (7) A qualified residential facility located in a renaissance
22 zone under the Michigan renaissance zone act, 1996 PA 376, MCL
23 125.2681 to 125.2696, is exempt from the specific tax levied under
24 this act to the extent and for the duration provided pursuant to
25 the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to
26 125.2696, except for that portion of the specific tax attributable
27 to a special assessment or a tax described in section 7ff(2) of the
28 general property tax act, 1893 PA 206, MCL 211.7ff. The specific
29 tax calculated under this subsection shall be disbursed

1 proportionately to the taxing unit or units that levied the special
2 assessment or the tax described in section 7ff(2) of the general
3 property tax act, 1893 PA 206, MCL 211.7ff.

4 Sec. 11. The amount of the tax applicable to real property,
5 until paid, is a lien upon the real property to which the
6 certificate is applicable. Proceedings upon the lien as provided by
7 law for the foreclosure in the circuit court of mortgage liens upon
8 real property may commence only upon the filing by the appropriate
9 collecting officer of a certificate of nonpayment of the specific
10 tax applicable to real property, together with an affidavit of
11 proof of service of the certificate of nonpayment upon the owner of
12 the qualified residential facility by certified mail, with the
13 register of deeds of the county in which the qualified residential
14 facility is situated.

15 Sec. 12. (1) The legislative body of the qualified local
16 governmental unit may, by resolution, revoke the certificate of a
17 qualified residential facility if it finds that the completion of
18 the qualified residential facility has not occurred within the time
19 authorized by the legislative body in the certificate or a duly
20 authorized extension of that time, or that the holder of the
21 certificate has not proceeded in good faith with the operation of
22 the qualified residential facility in a manner consistent with the
23 purposes of this act and in the absence of circumstances that are
24 beyond the control of the holder of the certificate.

25 (2) Upon receipt of a request by certified mail to the
26 legislative body of the qualified local governmental unit by the
27 holder of a certificate requesting revocation of the certificate,
28 the legislative body of the qualified local governmental unit may,
29 by resolution, revoke the certificate.

1 (3) Upon the written request of the holder of a revoked
2 certificate to the legislative body of the qualified local
3 governmental unit and the commission or upon the application of a
4 subsequent owner to the legislative body of the qualified local
5 governmental unit to transfer the revoked certificate to a
6 subsequent owner, and the submission to the commission of a
7 resolution of concurrence by the legislative body of the qualified
8 local governmental unit in which the qualified residential facility
9 is located, and if the qualified residential facility continues to
10 qualify under this act, the commission may reinstate a revoked
11 certificate for the holder or a subsequent owner that has applied
12 for the transfer.

13 Sec. 13. A certificate may be transferred and assigned by the
14 holder of the certificate to a new owner of the qualified
15 residential facility if the qualified local governmental unit
16 approves the transfer after application by the new owner.

17 Sec. 14. Not later than June 15 each year, each qualified
18 local governmental unit granting a certificate shall report to the
19 commission on the status of each exemption. The report must include
20 the current value of the property to which the exemption pertains,
21 the value on which the specific tax is based.

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 districts, based on the information filed
26 with the commission.

27 (2) After this act has been in effect for 3 years, the
28 department shall prepare and submit to the committees of the house
29 of representatives and senate responsible for tax policy and

1 economic development issues an economic analysis of the costs and
2 benefits of this act in the 3 qualified local governmental units in
3 which it has been most heavily utilized.