



Senate Fiscal Agency
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Senate Bill 480 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Kevin Hertel
Committee: Local Government

Date Completed: 12-8-23

RATIONALE

The current system for dividing parcels requires legal solutions that make the process of building houses more expensive. Plats, site condominiums (see **BACKGROUND**), and judicial litigation are all commonly used strategies for developing already-divided parcels, and these strategies require time or money. According to testimony before the Senate Committee on Local Government, allowing more splits to occur could decrease the cost of lots if the lots have already made all their legal splits under current statute. This could incentivize more construction of affordable housing depending on the local ordinance governing the build site.

CONTENT

The bill would amend Section 108 of the Land Division Act to do the following:

- Increase, from four to 20, the number of parcels that the first 10 acres of a parent parcel or tract could be divided into.**
- Allow a municipality to authorize the further partitioning of land into more parcels or tracts than allowed under Section 108 if the land met standards established by the municipality.**

The bill would take effect on March 1, 2025.

Section 108 of the Land Division Act prescribes platting requirements for divisions of parcels or tracts. Among other division requirements, Section 108 requires that the first 10 acres or fraction thereof of a parent parcel or parent tract (a parcel or tract before it is split) be divided into four or fewer separate parcels. Under the bill, the first ten acres of a parent parcel or tract or fraction thereof could be divided into 20 or fewer separate parcels.

(The Act defines "plat" as a map or chart of a subdivision of land. "Parcel" means a contiguous area or acreage of land. "Tract" means two or more parcels that share a common property line and are under the same ownership. Therefore, platting requirements for divisions of parcels or tracts concern the requirements for mapping or charting the splitting up of a unit of land, be that a parcel or tract.)

Additionally, the bill would allow a municipality to authorize by ordinance the further partitioning or splitting of a parcel or tract into a greater number of parcels or tracts than otherwise authorized by Section 108.

("Exempt split" means the partitioning or splitting of a parcel or tract of land by the proprietor thereof or by his or her heirs, executors, administrators, legal representatives, successors, or assignees that does not result in one or more parcels of less than 40 acres or the equivalent.)

A parcel or tract created by a municipal ordinance as described above could not be further partitioned or split without being subject to the platting requirements of the Act.

BACKGROUND

The term "site condominium" is not defined in the Condominium Act. The term is used to describe a condominium development with single-family detached housing instead of two or more housing units in one structure.¹ The type of review that the development project is subject to depends on the local government's ordinances.² A site condominium development is functionally like a subdivision developed in accordance with the Land Division Act.³

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill represents a way in which a local government can control housing affordability and density. According to testimony before the Senate Committee on Local Government, municipalities commonly use site condominiums instead of plats to achieve basically the same legal result of dividing real estate into separate residential building sites without spending as much time or money as the platting process. Reportedly, local governments favor the site condominium approach over platting because the site condominium approach also presents better control of market timing. Under the bill, municipalities could grant the split of a parent parcel or tract by changing its ordinance to better align with the site condominium approach. The bill, therefore, would offer a method of working within the platting system to achieve the same goal that local governments can achieve today using the site condominium system.

Opposing Argument

The bill would not enact any protections against excessive splitting of a parent parcel or tract. The only protections then would come from a local ordinance, and if the local ordinance allowed for it, a developer could divide an existing parent parcel or tract into a 20-house subdivision in an area without infrastructure, water, or sewer. In other words, the bill would provide no guarantee that the cheaper lots enabled by the bill would go toward making more affordable housing. The cheaper lots enabled by the bill also could be used for expanding residential neighborhoods at housing costs that would not be considered affordable. The bill should not be enacted without protections against excessive splitting.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State and local governmental units. The bill would increase the parceling of property. If these individual parcels generated more tax revenue collectively than as part of the original parcel this would lead to a positive fiscal impact for the State and the local government unit; however, if individually the parcels generated less tax revenue collectively than as part of the original parcel this would lead to a negative fiscal impact for the State and the local government unit.

Fiscal Analyst: Bobby Canell

¹ Michigan Department of Licensing and Regulatory Affairs, *The Condominium Buyer's Handbook*, October 2018.

² *Id.*

³ *Id.*

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.