




Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4480 (Substitute H-2 as reported without amendment)
House Bill 4481 (Substitute H-2 as reported without amendment)
House Bill 4482 (Substitute H-2 as reported without amendment)
House Bill 4483 (Substitute S-2 as reported by the Committee of the Whole)
House Bill 4484 (Substitute S-2 as reported by the Committee of the Whole)
House Bill 4488 (Substitute H-2 as reported without amendment)

Sponsor: Representative David Robertson (H.B. 4480)
Representative Alma Stallworth (H.B. 4481)
Representative Gene DeRossett (H.B. 4482)
Representative Chris Kolb (H.B. 4483)
Representative Edward Gaffney (H.B. 4484)
Representative Ruth Ann Jamnick (H.B. 4488)

House Committee: Land Use and Environment
Senate Committee: Finance

CONTENT

House Bill 4483 (S-1) would enact the "Land Bank Fast Track Act" to do the following:

- Create the State Land Bank Fast Track Authority, and allow the creation of county and local land bank fast track authorities under intergovernmental agreements with the State Authority.
- Establish procedures for an expedited quiet title and foreclosure action by an authority.
- Allow an authority to acquire, buy, own, lease as lessor, convey, demolish, or rehabilitate real or personal property.
- Authorize an authority to issue notes and bonds.
- Allow a county or qualified city that formed an authority to make a limited tax pledge to support its bonds or notes or, with voter approval, an unlimited tax full faith and credit pledge.
- Create the "Land Bank Fast Track Authority Fund".
- Require the State Administrative Board to convey specific parcels of surplus State land to the State Authority.
- Repeal the Tax Reverted Property Emergency Disposal Act.

House Bill 4480 (H-2) would amend the Brownfield Redevelopment Financing Act to include assistance to a land bank fast track authority among eligible activities authorized by the Act; include tax reverted property held by an authority as eligible property; and permit the use of tax increment revenues for assistance attributable to authority property.

House Bill 4481 (H-2) would amend the General Property Tax Act to exempt from the tax property owned by a land bank fast track authority; and create a five-year tax exemption for property sold or otherwise conveyed by an authority.

House Bill 4482 (H-2) would create the "Tax Reverted Clean Title Act" to impose a specific tax (equal to the property tax) on property sold by a land bank fast track authority; and dedicate 50% of the proceeds to the authority that sold the property.

House Bill 4484 (H-4) would amend the General Property Tax Act to permit a foreclosing governmental unit to request a title product other than a title search, in order to identify the owners of a property interest in forfeited property. The bill describes actions that would be

considered reasonable steps to ascertain the address of a person entitled to notice of a show cause hearing and foreclosure hearing, or to ascertain an address necessary to correct a deficiency in notice.

The bill provides that if a foreclosing governmental unit had reason to believe that a forfeited property could be the site of environmental contamination, the unit would have to provide any information it had to the Department of Environmental Quality.

Further, the bill would repeal Section 78p, which allows the State Treasurer, each year, to adjust specified fees added to each parcel of property upon which delinquent taxes remain unpaid.

House Bill 4488 (H-2) would amend Public Act 105 of 1855 (which governs the disposition of surplus State funds) to allow the State Treasurer to invest surplus funds in loans to a land bank fast track authority or a brownfield redevelopment authority for the purpose of clearing or quieting title to tax reverted property held or controlled by a land bank fast track authority.

All of the bills are tie-barred to each other.

MCL 125.2652 & 125.2663 (H.B. 4480)
Proposed MCL 211.7gg (H.B. 4481)
MCL 211.78i et al. (H.B. 4484)
21.144 et al. (H.B. 4488)

Legislative Analyst: George Towne

FISCAL IMPACT

The bills would have an unknown, but minimally positive, impact on both State and local revenues. The magnitude of the fiscal impact depends upon the success that the proposed land banks would have in both clearing title and making affected property more marketable, as well as the degree to which affected property actually would be sold. Many of these parcels of property are difficult to sell due to the physical location and/or characteristics. As such, neither the State Authority nor a local land bank fast track authority would likely be able to sell a significant number of these parcels and the captured revenue likely would be minimal.

While the bills would authorize the authorities to engage in a variety of activities related to real and personal property, the main focus is on tax-reverted property. Neither the State nor local units generally receive any revenue from tax-reverted property affected by the bills. To the extent that this property could be sold by an authority and the land would not otherwise be sold, or sold for as much, under the current processes for handling tax-reverted property, the bills would increase State and local tax revenue.

Tax-reverted property generally is not sold or, equivalently, is not purchased, for one of two reasons: 1) its location or other physical characteristics make it undesirable, even for speculators, and/or 2) the title history and other legal circumstances, such as those related to the tax-reversion process, make the property undesirable and/or uninsurable. The expenses involved in addressing the second issue can be significant and potentially difficult to recover through the current process for handling tax-reverted property. The assumption behind the bills is that the tax provisions would improve the ability both to pay for and to recover these expenses. Consequently, under this assumption, the bills would likely result in the sale of more tax-reverted property, perhaps for higher prices, and would increase State and local revenues. However, if an authority incurred expenses making the property more marketable and either an insufficient number of parcels were sold or were sold for too little, the authority could lose money. Some individuals who work with this property have indicated concerns that under the new procedures adopted to handle tax-reverted property and given the low desirability of this property, there is a significant chance that an authority would not be able to cover its administrative expenses.

The bills would not address the first reason deterring purchases of tax-reverted property nor would the bills affect property that is not sold because the State or local unit does not wish to sell it. The State or a local unit might not sell tax-reverted property for a variety of reasons, most often because the governmental unit believes the property can be used for a public purpose at some point or for economic development reasons. Even when the property is sold, the low desirability affects the purchase price. On average, the State has sold 3,000 pieces of property per year for an average of approximately \$6.0 million, or about \$2,000 per property. While many of these parcels also suffer problems under the second issue, such as title difficulties, there is a significant chance that the sale prices would remain very low under the bills.

The bills would provide for the State Authority to sell certain State-owned parcels, whose characteristics vary significantly: Many parcels are not contiguous and the types of property include vacant land and industrial, commercial and/or residential property. The value of all of these parcels is unknown. If the property were valued at \$5 million and were sold, and the specific tax subsequently levied at that price, the captured revenue would be slightly more than \$100,000 per year.

The bills also would allow the State Land Bank Fast Track Authority to dissolve itself once its purposes, which are not defined in the bills, were completed. The State Authority could transfer any land it held to a local authority or the State and any funds held by the State Authority when it dissolved would revert to the State General Fund. Until the Authority was dissolved, funds received from captured taxes and/or property sales would be held by the Land Bank Fast Track Fund for use by the State Authority.

The creation of the State Authority would require certain expenditures to cover the staffing and overhead costs associated with the administration of this Authority. Under House Bill 4483 (S-1), the Department of Consumer and Industry Services would be required to support the State Authority administratively, and subject to available appropriations, the Department could have to provide additional staffing and support. The Authority would have bonding capabilities and could cover the initial costs, but if revenue were insufficient to cover the debt service on these bonds and the administrative costs, this bill could have a negative fiscal impact on the Department of Consumer and Industry Services.

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