

REHABILITATION OF OBSOLETE PROPERTY

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Senate Bill 52

Sponsor: Sen. Jim Barcia

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Complete to 1-30-06

A SUMMARY OF SENATE BILL 52 AS PASSED BY THE SENATE 3-9-05

The bill would amend the definition of "rehabilitation" under the Obsolete Property Rehabilitation Act so that it would include "adding additional stories to a facility or adding additional space on the same floor level." The addition on the same floor level could not exceed 100 percent of existing floor space on that level.

Under the Obsolete Property Rehabilitation Act, local units of government can create special districts in which eligible commercial property and commercial housing can obtain property tax abatements. This only applies in so-called core communities and only to blighted, functionally obsolete, and contaminated properties. Properties undergoing rehabilitation can obtain a tax abatement for one to twelve years, if approved by the local legislative body and the State Tax Commission. Approved properties are exempt from standard property taxes and instead pay a specific tax, called the obsolete properties tax, which is based on the value of property prior to rehabilitation. The abatement applies to the facility and not the land and not, generally speaking, personal property.

The term "rehabilitation" currently applies to changes other than replacement required to restore or modify property to an economically efficient condition. The act specifically cites a number of examples, including "reducing multistory facilities to one or two stories," but it does not refer to adding stories or adding additional floor space on an existing floor. Senate Bill 52 would allow for such additional stories and floor space.

MCL 125.2782

FISCAL IMPACT:

This bill would have minimal fiscal impact on state and local government property tax collections.

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