

RULES FOR ACQUISITION & SALE OF PROPERTY BY FORECLOSING GOVERNMENTAL UNITS

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House Bill 5398 as enacted
Public Act 502 of 2014
Sponsor: Rep. Jon Bumstead
House Committee: Local Government
Senate Committee: Finance
Complete to (2-9-15)

BRIEF SUMMARY: The bill establishes rules under which a local government foreclosing on tax delinquent properties can acquire and then sell those properties, including properties acquired and then conveyed by the local Land Bank Fast Track Authority.

FISCAL IMPACT: As written the bill would have no direct impact on state or local revenues. To the extent that this bill could speed up the return of these properties to the tax rolls, local units could see property tax revenues increase earlier than they would have otherwise under current law. The magnitude of this increase would depend on the particular characteristics of the property and the local unit's tax structure, which precludes making an estimate of the increase.

THE APPARENT PROBLEM:

Woodland Park—located in the northwest corner of Newaygo County about 37 miles north of Grand Rapids—was originally an old lumbering village surrounding a 200-acre lake. In the early 1920's the site was sold to Black entrepreneurs from Ohio who were then creating a Black summer entertainment resort—called Idlewild—about 15 miles away. While Idlewild's reputation drew top-notch musical entertainers and guests from across America, nearby Woodland Park remained a quieter, more restful vacation spot where middle-class African Americans could relax and enjoy Michigan's summers. In addition to cottages, Woodland Park Resort boasted a store, gas station, four hotels with private dining rooms and screened porches, a realty office, church, and funeral parlor.

Many who vacationed in Woodland Park bought narrow parcels of land on which to build rustic family cabins. The cottage community was connected by paths and passages throughout the forest near Lake Woodland, but was without sidewalks, roads, or running water. Today, some vacation cabins have been modernized and remain in family use. Most, however, were abandoned when racial segregation in public accommodations ended with the passage of the Civil Rights Act of 1964. Afterward, African Americans were free to vacation where they pleased, and the Woodland Resort fell into disrepair. See ***Background Information***, below.

The properties located in the plats of Woodland Park often measured only 25 feet by 100 feet, or smaller. Many of these narrow abandoned lots have been vacant for 50 years or more, and their property taxes have long been unpaid. Today, to be buildable, current

zoning requires a minimum of four consecutive lots with 100 feet of road frontage. Consequently, many lots have reverted to government ownership. Until they are combined, the lots cannot be sold, and returned to the tax rolls.

To that end, legislation was introduced giving foreclosing governmental units in a county the authority to acquire tax-reverted properties and facilitate their sale.

THE CONTENT OF THE BILL:

House Bill 5398 amends the General Property Tax Act to establish rules under which a local government foreclosing on tax delinquent properties can acquire and then sell those properties. A more detailed description of the bill follows.

The bill specifies that a foreclosing governmental unit for a county (other than the state) could acquire property owned by the state, the federal government, or another governmental entity to facilitate the sale of tax-reverted property under Section 78 with the consent of the state, the federal government, or other governmental entity that owns the property.

Under the bill, methods of acquisition could include, but would not be limited to, an exchange of property owned by the county for property of approximately equal value that was owned by the state or federal government, or another governmental entity. (The bill also specifies that for purposes of this subsection, "governing entity" includes an authority.)

If the foreclosing governmental unit for a county was not the state, then a Land Bank Fast Track Authority (created under the Land Bank Fast Track Act) could convey real property owned by the authority to the foreclosing governmental unit, including a conveyance for no monetary consideration.

The bill specifies that the costs incurred by the governmental unit, and a subsequent sale or transfer of the property, are to be deemed to represent a fair exchange of value for value.

In addition, House Bill 5398 requires that a party to a conveyance execute and record all documents necessary to effectuate a conveyance, including but not limited to, a quitclaim deed or affidavit of jurisdictional transfer with the register of deeds in the county where the property is located.

Further, the bill requires that property acquired in the manner described above, must be offered for sale (and may be offered for sale as a group with other parcels). The bill prohibits the property from being conveyed or transferred to the state, or to a city, village, township, or county under Section 78m (1) or (3). Any net proceeds from the sale of the property would have to be deposited into an account as the delinquent tax property sales proceeds, for the year in which the property was sold by the foreclosing governmental unit.

Finally, House Bill 5398 specifies that this section of the act would not alter the powers, duties, functions, or responsibilities of an authority under the Land Bank Fast Track Act.

MCL 211.78r

BACKGROUND INFORMATION:

To learn more about Woodland Park, visit the following website:

<http://www.blackpast.org/aah/woodland-park-michigan-1921>

ARGUMENTS:

For:

Proponents of the bill note that it ensures intergovernmental cooperation, and will allow the Fast Track Land Bank Authority in Newago County to put land abandoned long ago back on the tax rolls.

To that end, and according to testimony from the Newago County Treasurer, the aim of the bill is two-fold: (1) to successfully combine small parcels of land not currently on the tax roll, or that continually tax revert (due to their inaccessibility or non-buildable size), by means of a jurisdictional transfer to the county treasurer; and, (2) to assist the state and federal governments, as well as local governmental units, by returning public lands to private ownership.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.