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House Bill 5398 (Substitute H-4 as passed by the House)
Sponsor: Representative Jon Bumstead
House Committee: Local Government
Senate Committee: Finance

Date Completed: 12-3-14

CONTENT

The bill would amend the General Property Tax Act to do the following:

- **Allow a foreclosing governmental unit for a county (other than the State) to acquire property owned by the State, the Federal government, a land bank fast track authority, or another governmental entity, to facilitate the sale of tax-reverted property.**
- **Allow a land bank fast track authority to convey real property it owned to a foreclosing governmental unit, other than the State.**
- **Require a foreclosing governmental unit to offer the acquired property at an auction sale as provided for foreclosed tax-delinquent property, and allow the property to be sold as a group with other parcels.**
- **Provide that the property could not be sold to a city, village, township, or county, as otherwise allowed for foreclosed tax-delinquent property.**

Specifically, 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, including a land bank fast track authority, to facilitate the sale of tax-reverted property under Section 78m of the General Property Tax Act (GPTA), with the consent of the State, Federal government, or other governmental entity. (Please see **BACKGROUND**, below, for a brief overview of applicable provisions of Section 78m.) Methods of acquisition could include an exchange of property owned by the county for property of approximately equal value that was owned by the State, the Federal government, or another governmental entity.

In addition, if the foreclosing governmental unit for a county were not the State, with the consent of the foreclosing unit, a land bank fast track authority could convey real property it owned to the foreclosing governmental unit, as provided in Section 7 of the Land Bank Fast Track Act, including for no monetary consideration. (Section 7 of that Act also is described below.)

The foreclosing governmental unit would have to offer property acquired under these provisions for sale at a property sale under Section 78m of the GPTA, and could offer the property for sale as a group with one or more other parcels under that section. The property could not be conveyed or transferred to a city, village, township, or county under Section 78m. Any net proceeds from the sale would have to be deposited into the foreclosing governmental unit's delinquent tax property sales account as the delinquent tax property sales proceeds for the year in which the property was sold by the foreclosing unit.

The conveyance of property to a foreclosing governmental unit under the bill, costs incurred by the unit relating to that property, and a subsequent sale or transfer of the property by the foreclosing governmental unit, would have to be deemed to represent a fair exchange of value for value.

A party to a conveyance under the bill would have to execute all documents necessary to effectuate the conveyance, including a quitclaim deed or affidavit of jurisdictional transfer, and record the documents with the register of deeds in the county where the property was located.

Proposed MCL 211.78r

BACKGROUND

Under Section 78m of the General Property Tax Act, after judgment in a foreclosure proceeding for tax-delinquent property is entered vesting title to the property in the foreclosing governmental unit, the State has the right of first refusal to purchase the property at the minimum bid or its fair market value, whichever is higher. If the State chooses not to purchase the property, a city, village, or township may buy it by paying the minimum bid to the foreclosing governmental unit. If the city, village, or township does not purchase the property, the county in which the property is located may purchase it by paying the minimum bid.

Subject to these provisions, the foreclosing governmental unit must hold at least two sales at which the foreclosed property is to be sold by auction sale.

By December 1 after the date of the sale, a list of all property not sold by a foreclosing governmental unit must be sent to the clerk of the city, village, or township where the property is located. By December 30, all unsold property must be transferred to the city, village, or township where it is located, except parcels to which the local unit has objected. The city, village, or township may make the property available under the Urban Homestead Act or for any other legal purpose. If the property is not transferred to the city, village, or township, the foreclosing governmental unit must retain possession. If the foreclosing governmental unit is the State, title to the property must vest in the Land Bank Fast Track Authority.

A foreclosing governmental unit must deposit the proceeds from the sale of property under Section 78m into a restricted account designated as the "delinquent tax property sales proceeds for the year ____". The proceeds may be used only for specified purposes.

Section 7 of the Land Bank Fast Track Act allows a land bank fast track authority to convey, sell, transfer, exchange, lease, or otherwise dispose of property or rights or interests in property in which the authority holds a legal interest, to any public or private person for value determined by the authority, including for no monetary consideration. If the Department of Environmental Quality (DEQ) determines that conditions on the property transferred to an authority under Section 78m of the General Property Tax Act represent an acute threat to public health, safety, and welfare, or the environment, the authority may not dispose of the property until after the DEQ determines that the threat has been eliminated.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an unknown fiscal impact, which would depend on the decision by a county that is a foreclosing governmental unit to acquire property under the authority provided by the bill, the participation of the State, Federal government, or other governmental entity in land assembly, the terms on which the property was acquired, and the extent to which the assembled property facilitated the sale of tax-reverted property and its return to the tax roll. The proceeds of the sale of the property would be deposited into a county delinquent tax property sales proceeds account, which is used by the foreclosing governmental unit for reimbursement of the delinquent tax revolving fund, costs of the sale of property for the year, cost of foreclosure proceedings, and other purposes authorized by statute.

Fiscal Analyst: Elizabeth Pratt

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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.