

HOUSE BILL NO. 5886

June 27, 2024, Introduced by Rep. Skaggs and referred to the Committee on Economic Development and Small Business.

A bill to amend 2000 PA 146, entitled
"Obsolete property rehabilitation act,"
by amending sections 2 and 3 (MCL 125.2782 and 125.2783), section 2
as amended by 2006 PA 70.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 2. As used in this act:
- 2 (a) "Commercial housing property" means that portion of real
- 3 property not occupied by an owner of that real property that is
- 4 classified as residential real property under section 34c of the

1 general property tax act, 1893 PA 206, MCL 211.34c, is a multiple-
2 unit dwelling, or is a dwelling unit in a multiple-purpose
3 structure, used for residential purposes. Commercial housing
4 property also includes a building or group of contiguous buildings
5 previously used for industrial purposes that will be converted to a
6 multiple-unit dwelling or dwelling unit in a multiple-purpose
7 structure, used for residential purposes.

8 (b) "Commercial property" means land improvements classified
9 by law for general ad valorem tax purposes as real property,
10 including buildings and improvements assessable as real property
11 pursuant to sections 8(d) and 14(6) of the general property tax
12 act, 1893 PA 206, MCL 211.8 and 211.14, the primary purpose and use
13 of which is the operation of a commercial business enterprise.
14 Commercial property ~~shall also include~~ **includes** facilities related
15 to a commercial business enterprise under the same ownership at
16 that location, including, but not limited to, office, engineering,
17 research and development, warehousing, parts distribution, retail
18 sales, and other commercial activities. Commercial property also
19 includes a building or group of contiguous buildings previously
20 used for industrial purposes that will be converted to the
21 operation of a commercial business enterprise or a multiple-unit
22 dwelling or a dwelling unit in a multiple-purpose structure, used
23 for residential purposes. Commercial property does not include any
24 of the following:

25 (i) Land.

26 (ii) Property of a public utility.

27 (c) "Commission" means the state tax commission created by
28 1927 PA 360, MCL 209.101 to 209.107.

29 (d) "Department" means the department of treasury.

1 (e) "Facility", except as otherwise provided in this act,
2 means a building or group of contiguous buildings.

3 (f) "Functionally obsolete" means that term as defined in
4 section 2 of the brownfield redevelopment financing act, 1996 PA
5 381, MCL 125.2652.

6 (g) "Obsolete properties tax" means the specific tax levied
7 under this act.

8 (h) "Obsolete property" means commercial property or
9 commercial housing property, that is 1 or more of the following:

10 (i) Blighted, as that term is defined in section 2 of the
11 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2652.

12 (ii) A facility as that term is defined under section 20101 of
13 the natural resources and environmental protection act, 1994 PA
14 451, MCL 324.20101.

15 (iii) Functionally obsolete.

16 (i) "Obsolete property rehabilitation district" means an area
17 of a qualified local governmental unit established as provided in
18 section 3. Only those properties within the district meeting the
19 definition of "obsolete property" are eligible for an exemption
20 certificate issued ~~pursuant to~~ **under** section 6.

21 (j) "Obsolete property rehabilitation exemption certificate"
22 or "certificate" means the certificate issued ~~pursuant to~~ **under**
23 section 6.

24 (k) "Qualified local governmental unit" means ~~1 or more of the~~
25 ~~following:~~

26 ~~(i) A city with a median family income of 150% or less of the~~
27 ~~statewide median family income as reported in the 1990 federal~~
28 ~~decennial census that meets 1 or more of the following criteria:~~

29 ~~(A) Contains or has within its borders an eligible distressed~~

1 ~~area as that term is defined in section 11(u) (ii) and (iii) of the~~
 2 ~~state housing development authority act of 1966, 1966 PA 346, MCL~~
 3 ~~125.1411.~~

4 ~~(B) Is contiguous to a city with a population of 500,000 or~~
 5 ~~more.~~

6 ~~(C) Has a population of 10,000 or more that is located outside~~
 7 ~~of an urbanized area as delineated by the United States bureau of~~
 8 ~~the census.~~

9 ~~(D) Is the central city of a metropolitan area designated by~~
 10 ~~the United States office of management and budget.~~

11 ~~(E) Has a population of 100,000 or more that is located in a~~
 12 ~~county with a population of 2,000,000 or more according to the 1990~~
 13 ~~federal decennial census.~~

14 ~~(ii) A township with a median family income of 150% or less of~~
 15 ~~the statewide median family income as reported in the 1990 federal~~
 16 ~~decennial census that meets 1 or more of the following criteria:~~

17 ~~(A) Is contiguous to a city with a population of 500,000 or~~
 18 ~~more.~~

19 ~~(B) All of the following:~~

20 ~~(I) Contains or has within its borders an eligible distressed~~
 21 ~~area as that term is defined in section 11(u) (ii) of the state~~
 22 ~~housing development authority act of 1966, 1966 PA 346, MCL~~
 23 ~~125.1411.~~

24 ~~(II) Has a population of 10,000 or more.~~

25 ~~(iii) A village with a population of 500 or more as reported in~~
 26 ~~the 1990 federal decennial census located in an area designated as~~
 27 ~~a rural enterprise community before 1998 under title XIII of the~~
 28 ~~omnibus budget reconciliation act of 1993, Public Law 103-66, 107~~
 29 ~~Stat. 416.~~

1 ~~(iv) A city that meets all of the following criteria:~~

2 ~~(A) Has a population of more than 20,000 or less than 5,000~~
 3 ~~and is located in a county with a population of 2,000,000 or more~~
 4 ~~according to the 1990 federal decennial census.~~

5 ~~(B) As of January 1, 2000, has an overall increase in the~~
 6 ~~state equalized valuation of real and personal property of less~~
 7 ~~than 65% of the statewide average increase since 1972 as determined~~
 8 ~~for the designation of eligible distressed areas under section~~
 9 ~~11(u) (ii) (B) of the state housing development authority act of 1966,~~
 10 ~~1966 PA 346, MCL 125.1411.~~ **a city, village, or township.**

11 (l) "Rehabilitation" means changes to obsolete property other
 12 than replacement that are required to restore or modify the
 13 property, together with all appurtenances, to an economically
 14 efficient condition. Rehabilitation includes major renovation and
 15 modification including, but not necessarily limited to, the
 16 improvement of floor loads, correction of deficient or excessive
 17 height, new or improved fixed building equipment, including
 18 heating, ventilation, and lighting, reducing multistory facilities
 19 to 1 or 2 stories, adding additional stories to a facility or
 20 adding additional space on the same floor level not to exceed 100%
 21 of the existing floor space on that floor level, improved
 22 structural support including foundations, improved roof structure
 23 and cover, floor replacement, improved wall placement, improved
 24 exterior and interior appearance of buildings, and other physical
 25 changes required to restore or change the obsolete property to an
 26 economically efficient condition. Rehabilitation ~~shall~~ **does** not
 27 include improvements aggregating less than 10% of the true cash
 28 value of the property at commencement of the rehabilitation of the
 29 obsolete property.

1 (m) "Rehabilitated facility" means a commercial property or
2 commercial housing property that has undergone rehabilitation or is
3 in the process of being rehabilitated, including rehabilitation
4 that changes the intended use of the building. A rehabilitated
5 facility does not include property that is to be used as a
6 professional sports stadium. A rehabilitated facility does not
7 include property that is to be used as a casino. As used in this
8 subdivision, "casino" means a casino or a parking lot, hotel,
9 motel, or retail store owned or operated by a casino, an affiliate,
10 or an affiliated company, regulated by this state pursuant to the
11 Michigan ~~gaming control and revenue act, the Initiated Law of~~
12 **Gaming Control and Revenue Act**, 1996 **IL 1**, MCL 432.201 to 432.226.

13 (n) "Taxable value" means the value determined under section
14 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

15 Sec. 3. (1) ~~A~~**Subject to subsection (5)**, a qualified local
16 governmental unit, by resolution of its legislative body, may
17 establish 1 or more obsolete property rehabilitation districts that
18 ~~may~~ consist of 1 or more parcels or tracts of land or a portion of
19 a parcel or tract of land, if ~~at the time~~**when** the resolution is
20 adopted, the parcel or tract of land or portion of a parcel or
21 tract of land within the district is either of the following:

22 (a) Obsolete property in an area characterized by obsolete
23 commercial property or commercial housing property.

24 (b) Commercial property that is obsolete property that was
25 owned by a qualified local governmental unit on ~~the effective date~~
26 ~~of this act~~, **June 6, 2000** and subsequently conveyed to a private
27 owner.

28 (2) The legislative body of a qualified local governmental
29 unit may establish an obsolete property rehabilitation district on

1 its own initiative or ~~upon~~**on** a written request filed by the owner
2 or owners of property comprising at least 50% of all taxable value
3 of the property located within a proposed obsolete property
4 rehabilitation district. The written request must be filed with the
5 clerk of the qualified local governmental unit.

6 (3) Before adopting a resolution establishing an obsolete
7 property rehabilitation district, the legislative body shall give
8 written notice by certified mail to the owners of all real property
9 within the proposed obsolete property rehabilitation district and
10 shall afford an opportunity for a hearing on the establishment of
11 the obsolete property rehabilitation district at which any of those
12 owners and any other resident or taxpayer of the qualified local
13 governmental unit may appear and be heard. The legislative body
14 shall give public notice of the hearing not less than 10 days or
15 more than 30 days before the date of the hearing.

16 (4) The legislative body of the qualified local governmental
17 unit, in its resolution establishing an obsolete property
18 rehabilitation district, shall set forth a finding and
19 determination that the district meets the requirements set forth in
20 subsection (1) **and, if applicable, subsection (5)**.

21 **(5) An obsolete property rehabilitation district that is**
22 **established on or after the effective date of the amendatory act**
23 **that added this subsection must meet both of the following**
24 **requirements:**

25 (a) **The obsolete property rehabilitation district must be**
26 **adjacent to existing development, utilize existing infrastructure,**
27 **and have access to municipal water and sewer services on at least 1**
28 **frontage.**

29 (b) **The obsolete property rehabilitation district must**

1 encourage compact development.