



**House
Legislative
Analysis
Section**

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**INCLUDE LAND BANKS IN
BROWNFIELD PROJECTS**

**House Bill 6137 (Substitute H-1)
First Analysis (5-30-02)**

**Sponsor: Rep. Laura M. Toy
Committee: Land Use and Environment**

THE APPARENT PROBLEM:

A package of bills currently before the legislature would create land bank authorities, one at the state level, one for the City of Detroit, and others at the county or multi-jurisdictional level when certain qualifications are met. Generally speaking, the land banks would acquire, assemble, dispose of, and quiet title to tax reverted (and other) property. The aim of the program is to get abandoned or tax reverted property back on the tax rolls expeditiously. One of the program's features is the imposition of a specific tax in lieu of property taxes to be levied on property for five years after it has been sold by a land bank, with one-half of the revenues from that tax to be used to cover the costs to clear or quiet title to property held by the land banks or to repay loans made by the state for the same purpose.

The Brownfield Redevelopment Financing Act, as amended in 2000, allows for the capture of state and local property tax revenues to be used for certain kinds of activities at contaminated, blighted, and functionally obsolete properties under a brownfield plan adopted by a redevelopment authority. (Certain kinds of projects can only be carried out in so-called core communities throughout the state.) The general thrust of the state's brownfield programs is also returning non-productive and hard to develop property to productive uses. Legislation has been introduced that will incorporate land bank-related property and activities into the brownfield program.

THE CONTENT OF THE BILL:

The bill would amend the Brownfield Redevelopment Financing Act so that, generally speaking, the activities of a land bank operating under the Michigan Land Bank and Community Development Authority Act would be included in the activities authorized by brownfield statutes. The various brownfield statutes grant tax incentives and tax recapture opportunities for efforts to redevelop contaminated, blighted, and functionally obsolete property. (Land banks would be established under

House Bill 5450, which would create the Michigan Land Bank and Community Development Authority Act, and several related bills.)

Specifically, House Bill 6137 would:

- include assistance to a land bank as an eligible activity under the act. (This would include the clearing or quieting of title to tax reverted property and disposing of tax reverted property, including related land bank activities.)
- include property owned or under the control of a land bank under the definition of "eligible property" (to the extent the property was included in a brownfield plan) and under the definition of "blighted" property, and would specify that the sale, lease, or transfer of the property by a land bank after it had been included in a brownfield plan would not result in the loss of the "blighted" status.
- for property owned or under the control of a land bank, allow tax increment revenues related to a brownfield plan to be used for eligible activities attributable to any eligible property owned or under the control of a land bank.
- include among the specific taxes referred to in the act (for recapture and other purposes) the specific tax put in place by the Tax Reverted Property Clean Title Act (which would be created by House Bill 4852).

House Bill 6137 is tie-barred to House Bills 4851-4853 and House Bills 5450-5451, which are the bills relating to land banks.

MCL 125.2652

BACKGROUND INFORMATION:

The Department of Environmental Quality has a useful summary of the Brownfield Redevelopment Financing Act on its web site at

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www.michigan.gov.deq. For a description of the bills creating land banks, see the summary by the House Legislative Analysis Section dated 5-22-02.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

Proponents of the bill say that it is intended to provide a simple but effective long-term solution to the problem of funding title work on tax reverted property and to provide a funding mechanism for demolition costs, clean up costs, and infrastructure work on such parcels. The bill is understood to allow all tax reverted parcels of property within a municipality (in a land bank) to be treated as one brownfield project. Taxes captured from such property could then be used on any parcel in the land bank. Specifically, the bill incorporates the property and activities of land banks (which are proposed to be created in legislation that is yet to be enacted) into the brownfield program. Generally speaking, the brownfield program envisions capturing increases in certain tax revenue to engage in eligible activities on eligible property. The bill would classify property under the control of a land bank as eligible property; would make assisting a land bank an eligible activity; would specifically allow tax increment revenues to be used for eligible activities at any eligible property owned or under the control of the land bank; allow property to remain eligible (as "blighted") even after being sold by a land bank; and allow for the capture of the new specific tax that would be assessed on property sold by a land bank. Proponents of the bill say that it anticipates problems that could arise in adapting land bank property to the brownfield program and addresses them in advance.

POSITIONS:

The Michigan Municipal League supports the bill. (5-29-02)

The Michigan Environmental Council has indicated support for the bill. (5-29-02)

Analyst: C. Couch

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