

Summary of Michigan Land Bank and Community Development Authority Act

The significant numbers of abandoned tax delinquent properties in urban areas pose substantial obstacles to community redevelopment and constitute threats to health, safety and welfare of residents. In 1999 the legislature enacted PA 123 which substantially streamlined the procedures for foreclosing on tax delinquent properties, and first foreclosures under this act were conducted in February, 2002. Partially as a result of foreclosures conducted under earlier statutes, and as a result of the streamlined procedures, the state and local governments in Michigan now hold title to large volumes of properties.

The Michigan Land Bank and Community Development Authority Act is designed to address the remaining barriers to the conversion of these properties into productive use. The key mechanism is the creation of a state land bank authority, and parallel land bank authorities at the local government level for those jurisdictions that elect to create such an authority. This Act will permit a land bank to undertake expedited quiet title procedures for properties acquired under the previous statutes. It will authorize land banks to convey properties to public and private third parties for public purposes as determined by the governmental entities. It will permit the governmental land banks to subsidize new residential, retail and commercial development by providing land for development, effectively converting what is presently a liability to the community into a productive tax generating asset.

One of the significant barriers to the conversion of abandoned tax delinquent properties is the absence of clean and marketable title to the properties, and frequently the presence of environmental concerns. This Act recognizes the costs associated with quiet title actions, and remediation work, by providing that fifty percent of the property taxes for a five year period after conveyance of the property will be returned to the land bank, and that such properties may be included as brownfield redevelopment properties. The remaining fifty percent of the property taxes following conveyance by the land bank to third parties for redevelopment are distributed in accordance with the general property tax act.

Chapter 1 (pages 1-13)

This chapter set forth legislative findings that land banks and land bank activities are valid and necessary public purposes, provides definitions, identifies the powers of a land bank, and establishes an expedited quiet title and foreclosure action for property held by a land bank.

Chapter 2 (pages 14-18)

This chapter creates the Michigan Land Bank Community Development Authority as an authority within the Michigan Department of Management and Budget, specifies the method of selection of its board of directors, creates the Michigan Land Bank and Community Development Fund, provides that the Authority may borrow funds and issues bonds, and permits the Authority to enter into agreements with metropolitan land bank authorities.

Chapter 3 (pages 18-21)

This chapter provides for the creation of metropolitan land bank authority by a qualified city (Detroit) by resolution of the City Council and approval by the Chief Executive, provides for the creation of a metropolitan land bank authority by other county foreclosing governmental units, and specifies procedures for adoption of articles of incorporation and bylaws.

Chapter 4 (pages 21-22)

This chapter provides that property held by a land bank is exempt from ad valorem taxes, and property conveyed by a land bank is exempt from general ad valorem taxes for a period of five years following the conveyance by the land bank.

Chapter 5 (pages 22-24)

This chapter imposes on all property conveyed by a land bank a tax reverted property specific tax for a period of five years, equal in amount to the ad valorem tax of the general property tax, provides that fifty percent of such specific tax is distributed in accordance with the general property tax act, and fifty percent is distributed to the land bank.

Chapter 6 (page 24)

This chapter permits the state treasurer to invest surplus funds in loans to land banks.

Chapter 7 (pages 25-28)

This chapter amends Section 78i of the general property tax act to clarify procedures for determining the identifies of parties to be given notice of foreclosure proceedings, to specify the records to be searched, and to identify what constitutes reasonable efforts to give notice.

Chapter 8 (pages 29-38)

This chapter amends sections 2 and 13 of the Brownfield redevelopment financing act to include within the scope of blighted properties those properties qualified as blighted properties that are held by land bank authorities, provides for assistance in clearing or quieting title to properties held by a land bank

The provisions of this composite bill are based in large measure upon bills approved by the House of Representatives in 2002. Chapters 1, 2 and 3 are based upon House Bill 5450 (S-2). Chapters 4 and 5 and 6 are based upon House Bill 4851, House Bill 4852 and House Bill 4853, respectively. Chapter 7 is based upon House Bill 5451 and Chapter 8 is based upon House Bill 6137.