



RE: Support of SB 556, Extension of the Commercial Rehabilitation Act

BOMA members represent every aspect of the commercial real estate industry from building owners, building managers, real estate developers, and various suppliers including landscapers, roofers, janitorial services, utilities, construction firms and architects. We are primarily comprised of business owners who have made the choice to invest in Michigan. In Southeast Michigan the office market contributes 3 billion dollars in operational expenses to the economy and supports 27,000 jobs.

At least half of the buildings that will be in use in 2050 have already been built. According to a recent survey by the U.S. Energy Information Agency, 72 percent of floorstock in the U.S., or 46 billion square feet, belongs to buildings over twenty years old. Not only is the building stock aging but it is obsolete. Older office buildings generally have larger, pre-Web floor plates, which are usually unsuitable for modern, smaller companies, or simply not economically advantageous. These buildings are now facing stiff competition from their sleek, new eco-friendly competitors that are offering lower operating costs and modern conveniences. Older buildings may also lack the lighting, heating, cooling, plumbing and new state-of-the-art technologies that make newer buildings more attractive and commercially viable.

Downtown areas throughout Michigan are finally undergoing a renaissance as older commercial buildings are being rehabilitated to be more modern commercial spaces or converted to multi-use facilities, with the help of the Commercial Rehabilitation Act. However, the challenge of older commercial buildings that are becoming obsolete and burdensome on communities is not limited to urban areas. One of the largest challenges facing the Commercial Real Estate industry is rehabbing older spaces in suburban communities. A great example of utilizing the Commercial Rehabilitation Act by a BOMA member, was Lormax Stern's successful renovation of the Macomb Mall in Roseville. Thanks to the Commercial Rehabilitation Act, it was financially feasible to renovate this aging mall and save it "From the Near Dead" as the Free Press put it, and avoided a fate many other suburban malls have met in recent years.

The Commercial Rehabilitation Act encourages investment in aging buildings throughout Michigan. It is a voluntary agreement; a win/win proposition for developers and municipalities, which encourages the use or re-use of existing building stock. This partnership allows Michigan to better utilize existing infrastructure and further contributes to the greater prosperity of the community. SB 556 provides benefit to the economy, the community, and will continue to generate Michigan jobs by making otherwise impossible rehabilitation projects financially possible through the Commercial Rehabilitation Act.

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