



**CITY OF NOVI CITY COUNCIL
JUNE 21, 2021**

SUBJECT: Consideration of Resolution to establish a Commercial Rehabilitation District at the northeast corner of Town Center and Grand River Roads, to be known as Sakura Novi Commercial Rehabilitation District No 2, for an Asian-themed Development by Sakura Novi LLC.

SUBMITTING DEPARTMENT: City Manager

BACKGROUND INFORMATION: The Michigan Economic Development Corporation (MEDC) defines the Commercial Rehabilitation Act, PA 210 of 2005 as “a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District.” Like an industrial facilities tax exemption, this involves a two-step process: first the District is created, and then an application for an exemption certificate is considered as a separate action. The first step, the request to create a district for Sakura Novi LLC, is what is now before City Council.

A public hearing for this action was held on Monday, May 24, 2021. Four parcels make up the proposed district, and a map is enclosed:

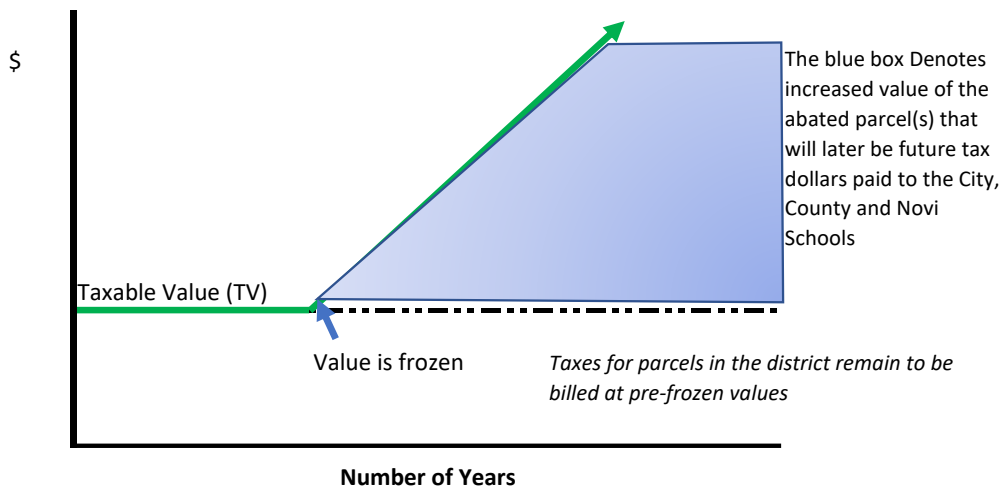
- 50-22-23-126-006,
- 50-22-23-226-008,
- 50-22-23-126-011,
- 50-22-23-226-007.

If the City Council approves the resolution to create of the District, the resolution is then sent to Oakland County, which has 28 days in which to reject the District. If that happens, then there is no opportunity for the applicant to seek the tax exemption certificate.

If the County does not reject the creation of the District, the applicant can submit an application for the exemption certificate. A separate hearing would be held by the City Council on that application. Given the 28-day notice to the County, the next possible opportunity for City Council to act on the application would be at its July 26, 2021 meeting.

The applicant is not required to submit its application for a tax exemption certificate—with all of the relevant information as to how long the exemption is requested for and what the financial implications for the City and other local taxing jurisdictions will be, but in this case in this case the applicant has already provided the application to the City, and has in fact

prepared some information as to the financial aspects of the exemption that might be relevant to Council's evaluation of whether to create the District. As a reminder, the Commercial Rehabilitation tax abatement freezes the taxable value (TV) of the parcels in the District for up to 10 years. All future growth in TV is abated, and the applicant/landowner only pays taxes on the pre-frozen TV and the value of the land. Taxes on Novi School's operating millage and the State Education Tax are still levied on the new investment. All other local millages (City, County, and the remainder of Novi School's millages [debt, school's parks, and sinking]) are frozen, and future value improvements are abated.



The applicant has expressed its desire to close a roughly \$2.5 million gap in financing. As shown in the attached spreadsheets (which describe the affected taxes and the anticipated development yields over time), it estimates that the abated taxes will reach the desired amount in eight (8) years.

RECOMMENDED ACTION: Consideration of Resolution to establish a Commercial Rehabilitation District at the northeast corner of Town Center and Grand River Roads, to be known as Sakura Novi Commercial Rehabilitation District No 2, for an Asian-themed Development by Sakura Novi LLC.

CITY OF NOVI

COUNTY OF OAKLAND, MICHIGAN

**RESOLUTION ESTABLISHING SAKURA NOVI
COMMERCIAL REHABILITATION DISTRICT**

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on _____, _____, at ____ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS; pursuant to PA 210 of 2005, the City of Novi has the authority to establish "Commercial Rehabilitation Districts" within the City at the request of a commercial business enterprise, or "on its own initiative," by resolution of the City Council; and

WHEREAS; the City of Novi and Sakura Novi have entered into a "Conditional Agreement for Purchase and Sale of Land," dated June 21, 2018, as amended, relating to land owned by the City, with the intention that the land will be re-developed by Sakura with a mixed-use commercial and multiple-family development, which such development will also include adjacent land owned by ECCO Tool Co.; and

WHEREAS; As part of the purchase and sale agreement, the City and Sakura have agreed that Sakura is permitted to request the establishment of a Commercial Rehabilitation District for the City-owned land and the ECCO Tool land (together, the "Property"). The Property affected is located on the north side of Grand River Avenue east of Town Center Drive, and is generally in the area of 42750 Grand River Ave and 42525 Eleven Mile Road; and

WHEREAS; In accordance with the Conditional Agreement, Sakura and ECCO have filed formal requests for the establishment of the District in writing to the City Clerk for the Property.

WHEREAS; the City Council of the City of Novi determined that the proposed District meets the requirements set forth in sections 2(b) and 3 of PA 210 of 2005; and

WHEREAS; written notice has been given by certified mail to Oakland County and all owners of real property located within the District, and to the public by newspaper advertisement and/or public posting of the hearing on the establishment of the proposed District; and

WHEREAS; on May 24, 2021, a public hearing was held and all residents and taxpayers of the City of Novi were afforded an opportunity to be heard thereon; and

WHEREAS; the City Council of the City of Novi deems it to be in the public interest of the City to establish the Commercial Rehabilitation District as proposed, provided that the property proposed to be included in the District will be used for a Qualified Facility in the form of a mixed use commercial and multiple-family development meeting the criteria in Public Act 210 of 2005, as amended by Public Act Nos. 81 and 82 of 2011 and also in accordance with the Conditional Agreement for Purchase and Sale of Land," dated June 21, 2018, as amended, and also the Planned Rezoning Overlay (PRO) Agreement to be entered into by the City and Sakura to ensure development of the Property as contemplated by the City, which Council has determined are in the interest of the City for purposes of considering the creation of the District; and

WHEREAS; Construction, acquisition, alteration, or installation of the proposed development had not commenced at the time of filing the request to establish, and/or the City's determination to consider establishing, this District.

WHEREAS; The City Council understands and expects that at the time of Sakura's application for an exemption certificate under Public Act 210 of 2005 Sakura and the City will need to agree to the specific terms and conditions of an exemption, including entering into a binding written Agreement relating to such exemption on terms and conditions acceptable to the City.

NOW THEREFORE, IT IS THEREFORE RESOLVED: by the City Council of the City of Novi that the following described parcel(s) of land situated in the City of Novi, Oakland County, and State of Michigan, to wit:

50-22-23-126-006 (City of Novi)

T1N, R8E, SEC 23 PART OF E 1/2 OF NW 1/4 BEG ON N SEC LINE DIST N 89-34-00 E 433.70 FT FROM NW COR OF SD E 1/2 OF NW 1/4, TH N 89-34-00 E 613.40 FT, TH S 00-17-20 E 891.25 FT TO CEN LINE US-16 HWY, TH N 71-44-00 W ALG SD CEN LINE 650.70 FT, TH N 682.62 FT TO BEG EXC US-16 HWY 10.20 AMN412

50-22-23-226-008 (City of Novi)

T1N, R8E, SEC 23 PART OF NE 1/4 BEG AT PT DIST N 89-00-00 E 99.53 FT FROM N 1/4 COR, TH N 89-00-00 E 165.14 FT, TH S 00-49-20 E 527.55 FT, TH S 89-00-00 W 165.14 FT, TH N 00-44-20 W 527.55 FT TO BEG 2 AMN410B-1

50-22-23-126-011 (ECCO Tool Co Inc)

T1N, R8E, SEC 23 PART OF NW 1/4 BEG AT PT DIST S 89-00-00 W 65.61 FT FROM N 1/4 COR, TH S 00-44-20 E 527.55 FT, TH S 89-00-00 W 61.82 FT, TH N 71-53-30 W 170 FT, TH N 01-00-00 W 471.87 FT, TH N 89-00-00 E 224.89 FT TO BEG 2.58 AMN410B-3

50-22-23-226-007 (ECCO Tool Co Inc)

T1N, R8E, SEC 23 PART OF N 1/2 OF SEC BEG AT N 1/4 COR, TH N 89-00-00 E 99.53 FT, TH S 00-44-20 E 527.55 FT, TH S 89-00-00 W 165.14 FT, TH N 00-44-20 W 527.55 FT, TH N 89-00-00 E 65.61 FT TO BEG 2 AMN410B-2

be and hereby is established as a Commercial Rehabilitation District pursuant to the provisions of PA 210 of 2005 to be known as the Sakura Novi Commercial Rehabilitation District No 2 and to be utilized in accordance with the Conditional Agreement for Purchase and Sale of Land," dated June 21, 2018, as amended, the Planned Rezoning Overlay (PRO) Agreement to be entered into by the City and Sakura to ensure development of the Property as contemplated by the City, and also an Agreement to be entered into by the City and Sakura/ECCO Tool if a tax exemption certificate is approved.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

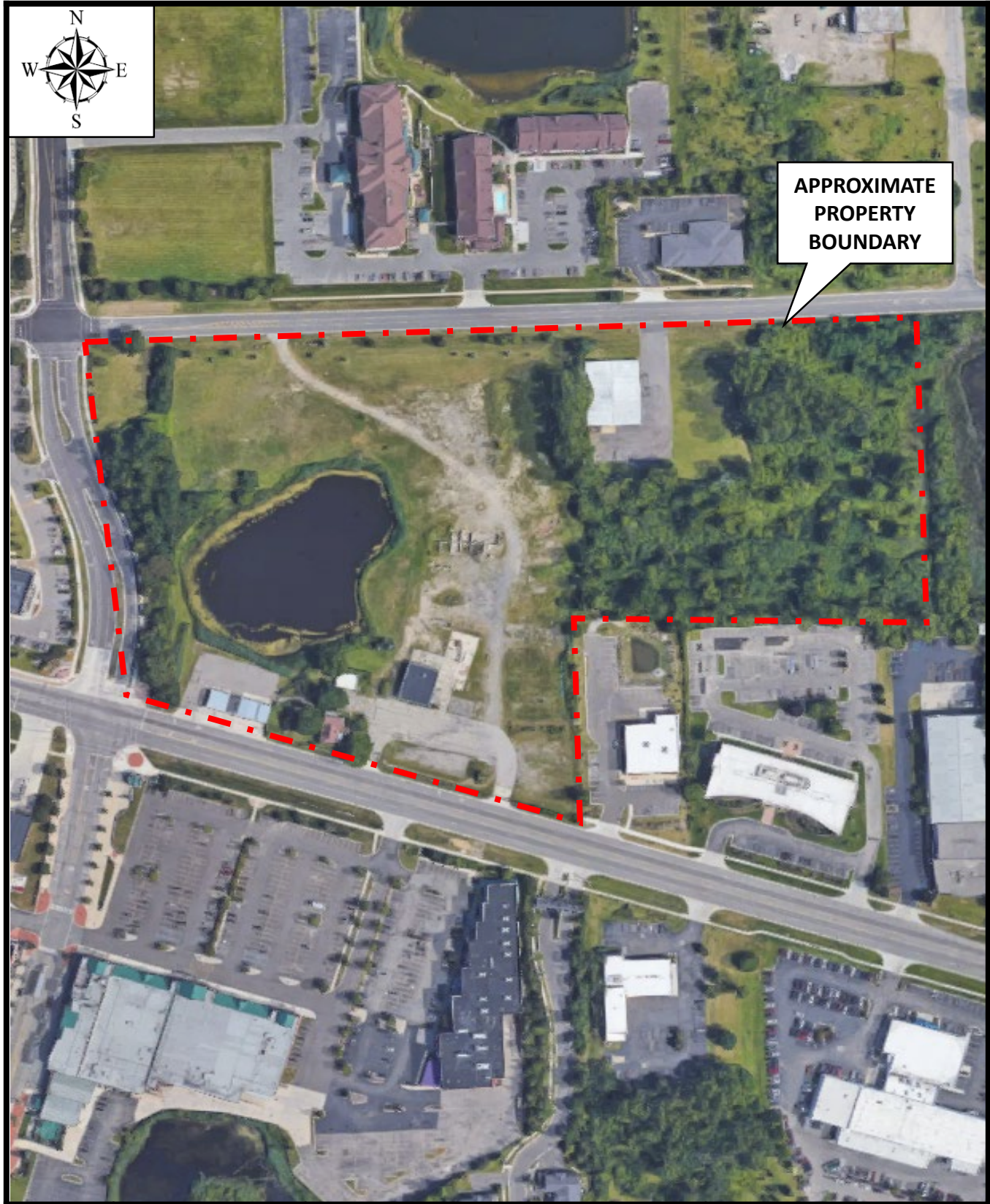
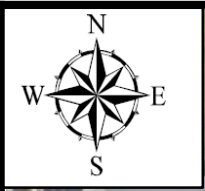
CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this _____ day of _____, 2021, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

Sakura Novi
PA 210 Estimates
As of June 15, 2021

Estimated Frozen Commercial Rehab Value			\$ 1,500,000	\$10,000,000	\$ 17,570,939	\$ 17,570,939	\$ 17,574,187	\$ 17,716,079	\$ 17,861,376	
	Mileage	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
		2022	2023	2024	2025	2026	2027	2028	2029	
Novi - General City	4.7505	\$ -	\$ 7,126	\$ 47,505	\$ 83,471	\$ 83,471	\$ 83,486	\$ 84,160	\$ 84,850	\$ 474,069
Novi - Streets	1.4197	\$ -	\$ 2,130	\$ 14,197	\$ 24,945	\$ 24,945	\$ 24,950	\$ 25,152	\$ 25,358	\$ 141,677
Novi - Police/Fire	1.3518	\$ -	\$ 2,028	\$ 13,518	\$ 23,752	\$ 23,752	\$ 23,757	\$ 23,949	\$ 24,145	\$ 134,901
Novi - Capital Improvement	0.9514	\$ -	\$ 1,427	\$ 9,514	\$ 16,717	\$ 16,717	\$ 16,720	\$ 16,855	\$ 16,993	\$ 94,944
Novi - Library	0.7303	\$ -	\$ 1,095	\$ 7,303	\$ 12,832	\$ 12,832	\$ 12,834	\$ 12,938	\$ 13,044	\$ 72,879
Novi - Drains	0.6101	\$ -	\$ 915	\$ 6,101	\$ 10,720	\$ 10,720	\$ 10,722	\$ 10,809	\$ 10,897	\$ 60,884
Novi - Parks & Rec	0.3648	\$ -	\$ 547	\$ 3,648	\$ 6,410	\$ 6,410	\$ 6,411	\$ 6,463	\$ 6,516	\$ 36,405
Novi - Library Debt	0.3471	\$ -	\$ 521	\$ 3,471	\$ 6,099	\$ 6,099	\$ 6,100	\$ 6,149	\$ 6,200	\$ 34,638
Novi - PA359 Econ Dvlp	0.0119	\$ -	\$ 18	\$ 119	\$ 209	\$ 209	\$ 209	\$ 211	\$ 213	\$ 1,188
Oak County HCMA	0.2104	\$ -	\$ 316	\$ 2,104	\$ 3,697	\$ 3,697	\$ 3,698	\$ 3,727	\$ 3,758	\$ 20,997
Oak ISD Voted	3.0110	\$ -	\$ 4,517	\$ 30,110	\$ 52,906	\$ 52,906	\$ 52,916	\$ 53,343	\$ 53,781	\$ 300,478
Oak ISD Alloc	0.1902	\$ -	\$ 285	\$ 1,902	\$ 3,342	\$ 3,342	\$ 3,343	\$ 3,370	\$ 3,397	\$ 18,981
Oak County PK & RC	0.3470	\$ -	\$ 521	\$ 3,470	\$ 6,097	\$ 6,097	\$ 6,098	\$ 6,147	\$ 6,198	\$ 34,628
Oak County Operating	4.4013	\$ -	\$ 6,602	\$ 44,013	\$ 77,335	\$ 77,335	\$ 77,350	\$ 77,974	\$ 78,614	\$ 439,223
Oak Comm College	1.5057	\$ -	\$ 2,259	\$ 15,057	\$ 26,457	\$ 26,457	\$ 26,461	\$ 26,675	\$ 26,894	\$ 150,259
Novi - School Sink	0.4713	\$ -	\$ 707	\$ 4,713	\$ 8,281	\$ 8,281	\$ 8,283	\$ 8,350	\$ 8,418	\$ 47,033
Novi - School Debt	6.5000	\$ -	\$ 9,750	\$ 65,000	\$ 114,211	\$ 114,211	\$ 114,232	\$ 115,155	\$ 116,099	\$ 648,658
Novi - School Recreation	0.9365	\$ -	\$ 1,405	\$ 9,365	\$ 16,455	\$ 16,455	\$ 16,458	\$ 16,591	\$ 16,727	\$ 93,457
Novi - Oak County Zoo	0.0965	\$ -	\$ 145	\$ 965	\$ 1,696	\$ 1,696	\$ 1,696	\$ 1,710	\$ 1,724	\$ 9,630
Novi - Oak County Art	0.1913	\$ -	\$ 287	\$ 1,913	\$ 3,361	\$ 3,361	\$ 3,362	\$ 3,389	\$ 3,417	\$ 19,091
	28.3988									
Estimated Total Developer PA 210 Incentive		\$ -	\$ 42,598	\$ 283,988	\$ 498,994	\$ 498,994	\$ 499,086	\$ 503,116	\$ 507,242	\$2,834,018



**APPROXIMATE
PROPERTY
BOUNDARY**

PROJECT NO.: 1964.001
DRWG BY: CJB
DATE: 10/24/2018
APPROVED BY: RJZ
SCALE: 1" = 240'
SHEET: 2 OF 3

SITE MAP
(SOURCE: GOOGLE MAPS)

PROPOSED SAKURA WAY DEVELOPMENT
42750 GRAND RIVER AVENUE
NOVI, MICHIGAN 48375



ERG Environmental Resources Group
28003 Center Oaks Court • Suite 106 • Wixom, MI • 48393
Phone: 248-773-7986 • Fax: 248-924-3108

Frequently Asked Questions
Commercial Rehabilitation Act
(PA 210 of 2005, as amended)

The following frequently asked questions are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act 210 of 2005, MCL 207.841 *et seq.*, as amended.

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. What is a Commercial Rehabilitation Exemption?

The Commercial Rehabilitation Act, PA 210 of 2005, MCL 207.841 *et seq.*, as amended, provides a property tax exemption for multifamily residential, commercial business enterprises, or qualified retail food establishments that are rehabilitated and meet the requirements of the Act. Types of commercial business enterprises may include, but are not limited to: office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Multifamily residential is defined as housing that consists of five or more units. Qualified retail food establishments are primarily retail supermarkets, grocery stores, produce markets or delicatessens that offer fresh USDA inspected meat and poultry, fresh fruits and vegetables, and dairy products for sale.

Exemptions are approved for a term of 1-10 years as determined by the local unit of government. The property taxes are based on the previous year's, which is the year prior to the rehabilitation, taxable value. The taxable value is frozen for the duration of the exemption. Completed applications are sent to the local governmental unit for review and approval. Qualified retail food establishment applicants must also submit an additional application. If the local governmental unit approves an application, it is forwarded to the State Tax Commission (STC) for further review and approval.

Commercial Rehabilitation Tax Exemption Certificate applications are available from the Michigan Department of Treasury at: www.michigan.gov/propertytaxexemptions.

2. Who establishes a Commercial Rehabilitation District?

The legislative body of a “qualified local governmental unit” may establish a commercial rehabilitation district on its own initiative or upon a written request filed by the owner or owners of property comprising at least 50% of all taxable value of the property located within a proposed commercial rehabilitation district. See question 26 for an explanation of what constitutes a “qualified local governmental unit.”

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3. What are the requirements for the formation of a Commercial Rehabilitation District?

A Commercial Rehabilitation District may consist of one or more parcels or tracts of land or a portion of a parcel or tract of land, provided that the parcel or tract of land or portion of a parcel or tract of land within the district is a “qualified facility,” as defined by MCL 207.842(h) (see question 27).

A “Commercial Rehabilitation District” or “district” is further defined by MCL 207.842(b) as: “an area not less than 3 acres in size of a qualified local governmental unit However, if the commercial rehabilitation district is located in a downtown or business area or contains a qualified retail food establishment, as determined by the legislative body of the qualified local governmental unit, the district may be less than 3 acres in size.”

Before adopting a resolution establishing a commercial rehabilitation district, the qualified local governmental unit must give written notice by certified mail to the county in which the proposed district is to be located and the owners of all real property within the proposed commercial rehabilitation district and shall afford an opportunity for a hearing on the establishment of the commercial rehabilitation district. The qualified local governmental unit must give public notice of the hearing not less than 10 days or more than 30 days before the date of the hearing.”

Following the public hearing, the legislative body of the qualified local governmental unit may establish a Commercial Rehabilitation District by resolution. The resolution must set forth a finding determination that the district meets the requirements of the Act. A sample resolution can be found at: www.michigan.gov/propertytaxexemptions.

4. Can a request to establish a Commercial Rehabilitation District be denied?

Yes. The qualified local governmental unit must “give written notice by certified mail to the county in which the proposed district is to be located and the owners of all real property within the proposed commercial rehabilitation district and shall afford an opportunity for a hearing on the establishment of the commercial rehabilitation district at which any of those owners and any other resident or taxpayer of the qualified local governmental unit may appear and be heard.” MCL 207.843(3). The local governmental unit may deny the establishment of the district by resolution.

Once the county receives a copy of the resolution establishing a Commercial Rehabilitation District, they have 28 days to reject the establishment of the district by written notification to the qualified local governmental unit by the elected county executive. If the county does not have an elected county executive, the county can reject the establishment of the district by resolution of the county board of commissioners. MCL 207.843(5).

Frequently Asked Questions
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5. How do I apply for a Commercial Rehabilitation Exemption Certificate?

Applications for Commercial Rehabilitation Exemption Certificates are filed with the local governmental unit by the owner of the property.

File two (2) copies of the completed application and all attachments with the clerk of the local governmental unit where the property is located. The property must meet the following requirements:

- a. The property must be located in a “qualified local governmental unit” as defined by MCL 207.842(i).
- b. The property must be located in a “commercial rehabilitation district” as defined by MCL 207.842(b).
- c. The property must meet the definition of “commercial property” as defined by MCL 207.842(a).
- d. The proposed project must meet the definition of “rehabilitation” in MCL 207.842(k).

6. What documents must accompany an application for a Commercial Rehabilitation Exemption Certificate?

- a. A general description of the facility (including year built, original use, most recent use, number of stories, square footage);
- b. A general description of the rehabilitated facility’s proposed use;
- c. A detailed description of the general nature and extent of the rehabilitation to be undertaken;
- d. A descriptive list of the fixed building equipment that will be a part of the rehabilitated facility;
- e. A time schedule for undertaking and completing the facility’s rehabilitation;
- f. A statement of economic advantages expected from the exemption;
- g. A legal description of the property outlined in the application;
- h. A building permit, if construction has started on the project.

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(PA 210 of 2005, as amended)

- i. A contractor's bid or itemized list of costs matching the investment amount reported on the box titled *Estimated Cost of Rehabilitation* on the first page of the application.
- j. A copy of the resolution approved by the local unit establishing the eligible district;
- k. The local unit resolution, containing all the required statements, approving the application for the exemption; and
- l. If applicable, a completed Form 4753, Commercial Rehabilitation Exemption Certification for Qualified Retail Food Establishments.

7. What does the local governmental unit need to do upon receipt of a Commercial Rehabilitation Exemption Certificate Application?

Upon receipt of an application for a Commercial Rehabilitation Exemption Certificate, the clerk of the qualified local governmental unit shall notify, in writing, the assessor and the legislative body of each taxing unit that levies ad valorem property taxes in the qualified local governmental unit in which the qualified facility is located.

Before acting on the application, the qualified local governmental unit must hold a hearing on the application and give notice to the applicant, assessor, a representative of the affected taxing units, and the general public. The hearing must be held separately from the hearing on the establishment of the Commercial Rehabilitation District.

Not more than 60 days after receiving an application, the qualified local governmental unit must approve or disapprove the application by resolution. Certain resolution statements are required. A sample resolution with all required statements, can be found at: www.michigan.gov/propertytaxexemptions.

8. What requirements for a Commercial Rehabilitation Exemption Certificate must be met to gain approval at the local governmental unit level?

An applicant seeking a Commercial Rehabilitation Exemption Certificate must meet the following qualifications:

- a. The commencement of the rehabilitation of the qualified facility does not occur earlier than six months before the applicant files the application for the Commercial Rehabilitation Exemption Certificate.
- b. The application relates to a rehabilitation program that when completed constitutes a qualified facility within the meaning of the act and that shall be situated within a Commercial Rehabilitation District established in a qualified local governmental unit eligible under the act.

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- c. Completion of the qualified facility is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to, increase commercial activity, create employment, retain employment, prevent a loss of employment, revitalize urban areas, or increase the number of residents in the community in which the qualified facility is situated.
- d. The applicant states, in writing, that the rehabilitation of the qualified facility would not be undertaken without the applicant's receipt of the exemption certificate.
- e. The applicant is not delinquent in the payment of any taxes related to the qualified facility.

9. What happens if the qualified local governmental unit approves the application?

If the qualified local governmental unit approves the application, the clerk must forward a copy of the application and resolution to the STC.

10. What happens if the qualified local governmental unit disapproves the application?

If the local governmental unit disapproves the application, the reason for disapproval must be set forth in writing in the resolution, and the clerk must send a copy of the resolution to the applicant and assessor by certified mail.

11. Are there provisions in the application process that are time sensitive?

Yes. MCL 207.848 requires that the commencement of the rehabilitation of the qualified facility does not occur earlier than six months before the applicant files the application for the Commercial Rehabilitation Exemption Certificate.

In addition, State Tax Commission Rule 209.111(2) states that “[a]ll complete applications for commercial rehabilitation exemption certificates received through October 31 shall receive consideration and action by the commission before December 31. An application received on or after November 1 shall be considered by the commission contingent upon staff availability.”

12. What does the STC do when it receives an application and resolution from the clerk of the qualified local governmental unit?

The STC reviews the application for completeness and compliance with the statute. If the application is incomplete, staff sends a letter requesting the missing information. Once the application is complete, the STC is required to either approve or disapprove the application within 60 days. If the application is approved, the STC issues a Commercial Rehabilitation Exemption Certificate, and it is effective December 31st immediately following the date of issuance by the STC.

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13. Who determines if a facility qualifies for a Commercial Rehabilitation Exemption Certificate?

Initially, that determination is made when the application is filed and reviewed by the local governmental unit. However, the local governmental unit's determination is then reviewed by the STC. The STC can approve, modify, or deny the application.

14. Can a decision of the STC regarding a Commercial Rehabilitation Exemption Certificate be appealed?

Yes. A party aggrieved by the issuance, refusal to issue, revocation, transfer or modification of a Commercial Rehabilitation exemption certificate may appeal a final decision of the STC by filing a petition with the Michigan Tax Tribunal, www.michigan.gov/taxtrib, within 35 days. MCL 205.735a(6).

15. What is the term of a Commercial Rehabilitation Exemption Certificate?

A certificate may be issued for a period to be determined by the legislative body of the local governmental unit of at least 1 (one) year but not to exceed 10 (ten) years. If the number of years determined is less than 10 (ten), the certificate may be subject to review by the legislative body of the qualified local governmental unit and the certificate may be extended. The total amount of time determined for the certificate, including any extensions, shall not exceed 10 (ten) years after the completion of the qualified facility.

16. What determines the starting date of a Commercial Rehabilitation Exemption Certificate?

The effective date of the certificate is December 31st immediately following the date of issuance of the certificate by the STC.

17. How is the Commercial Rehabilitation Tax computed for a rehabilitated facility?

A specific tax, known as the commercial rehabilitation tax, is levied upon every owner of a rehabilitated facility to which a Commercial Rehabilitation Exemption Certificate is issued. MCL 207.850.

Calculating the commercial rehabilitation tax is a two-step process.

First, multiply the total mills levied as ad valorem taxes for that year by all taxing units by the taxable value of the real property (excluding land) for the tax year immediately preceding the effective date of the commercial rehabilitation exemption.

Second, multiply the local school district operating and state education tax mills by the difference between the taxable value of the real property (excluding land) for the current

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tax year and the taxable value of the real property (excluding land) for the year immediately preceding the effective date of the exemption.

For a qualified retail food establishment that was issued a certificate on or before December 31, 2009, the tax is the sum of the product computed by multiplying the total mills levied as ad valorem taxes for that year by all taxing units (including local school district operating and the state education tax) by the taxable value of the real property (excluding land) for the tax year immediately preceding the rehabilitation and the product computed by multiplying the local school district operating and state education tax mills by the difference between the taxable value of the real property (excluding land) for the current tax year and the taxable value of the real property (excluding land) for the tax year immediately preceding the rehabilitation.

18. Are special assessment millage rates impacted by the granting of a Commercial Rehabilitation Exemption Certificate?

Special assessment millage rates may be impacted. Millage-based special assessments levied under Public Act 33 of 1951 do not apply to property with a Commercial Rehabilitation Act exemption. However, the special assessments would still be applicable to the land on which the Commercial Rehabilitation Act exemption property is located. Conversely, for millage-based special assessments levied under public acts other than Public Act 33 of 1951, property with a Commercial Rehabilitation Act exemption pays on the full special assessment millage rate, the same as any “ad valorem” property.

19. For Qualified Retail Food Establishments, how do you determine if you are located in an “underserved area?”

Under the “Commercial Rehabilitation Act” link on the Property Tax Exemption Section website (www.michigan.gov/propertytaxexemptions) click on “Qualified Retail Food Establishments.” Then click on “Eligibility Requirements,” which describes how to find the census tract that you are located in. Last, click on “Census Tracts Regarding Underserved Areas” for a listing of qualifying census tracts.

20. Can a Commercial Rehabilitation Exemption Certificate be transferred or amended?

Yes. MCL 207.853 allows a certificate to be transferred and assigned by the holder to a new owner of the qualified facility. The new owner must first apply and be approved by the qualified local governmental unit before the transfer may occur. A certificate may also be amended if the number of years initially exempted was fewer than ten. The certificate may then be subject to review by the legislative body of the qualified local governmental unit and be extended.

Frequently Asked Questions
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21. Can a Commercial Rehabilitation Exemption Certificate be revoked?

Yes. The legislative body of the qualified local governmental unit may, by resolution, revoke the Commercial Rehabilitation Exemption Certificate of a facility if it finds that the completion of rehabilitation of the qualified facility has not occurred within the time authorized by the legislative body in the exemption certificate or a duly authorized extension of that time or that the holder of the Commercial Rehabilitation Exemption Certificate has not proceeded in good faith with the operation of the qualified facility in a manner consistent with the purposes of the act and in the absence of circumstances that are beyond control of the holder of the exemption certificate. MCL 207.852(1).

In addition, the holder of a Commercial Rehabilitation Certificate may send, by certified mail, a request to revoke the certificate to the qualified local governmental unit. Upon receipt of the request, the legislative body of the local governmental unit may, by resolution, revoke the certificate. MCL 207.852(2).

22. When does the revocation of a Commercial Rehabilitation Exemption Certificate take effect?

The revocation of a Commercial Rehabilitation Exemption Certificate is effective the December 31st of the year in which the local governmental unit resolves to revoke the certificate.

23. Can a revoked Commercial Rehabilitation Exemption Certificate be reinstated?

Yes. Pursuant to MCL 207.853(3), a Commercial Rehabilitation Certificate can be revoked under two circumstances. If the holder of the revoked certificate is requesting reinstatement, they must submit a written request to the qualified local governmental unit and the STC. If a subsequent owner is requesting reinstatement of a revoked certificate, they must file an application with the qualified local governmental unit.

If the legislative body of the qualified local governmental unit submits a resolution of concurrence to the STC, and the facility continues to qualify under the Act, a revoked Commercial Rehabilitation Exemption Certificate may be reinstated by the STC.

24. What is the definition of “Commercial Property?”

MCL 207.842(a) defines “Commercial Property” as:

“. . . land improvements classified by law for general ad valorem tax purposes as real property including real property assessable as personal property pursuant to sections 8(d) and 14(6) of the general property tax act, 1893 PA 206; MCL 211.8 and 211.14, the primary purpose and use of which is the operation of a commercial business enterprise or multifamily residential use. Commercial property shall also include facilities related to

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a commercial business enterprise under the same ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise. Commercial property **does not** include any of the following: land or property of a public utility” (emphasis added).

25. What is the definition of “multifamily residential use?”

“‘Multifamily residential use’ means multifamily housing consisting of 5 or more units.” MCL 207.842(g).

26. What is the definition of a “qualified local governmental unit?”

“‘Qualified local governmental unit’ means a city, village, or township.” MCL 207.842(i).

27. What is the definition of a “Qualified Facility?”

A “Qualified Facility” is defined by MCL 207.842(h) as:

“A qualified retail food establishment or a building or group of contiguous buildings of commercial property that is 15 years old or older or has been allocated for a new market tax credit under section 45d of the internal revenue code, 26 USE 45d. Qualified facility also includes a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property which within the immediately preceding 15 years, was commercial property as defined in subdivision (a). Qualified facility shall also include vacant property located within a city with a population of more than 500,000 according to the most recent federal decennial census and from which a previous structure has been demolished and on which commercial property is or will be newly constructed provided an application for a certificate has been filed with that city before July 1, 2010. A qualified facility also includes a hotel or motel that has additional meeting or convention space that is attached to a convention and trade center that is over 250,000 square feet in size and that is located within a county with a population of more than 1,100,000 and less than 1,600,000 as of the most recent decennial census. A qualified facility **does not** include property that is to be used as a casino or a professional sports stadium. As used in this subdivision, “casino” means a casino or a parking lot, hotel, motel, or retail store owned or operated by a casino, an affiliate, or an affiliated company, regulated by this state pursuant to the

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Michigan gaming control and revenue act, 1996 IL 1, MCL 432.201 to 432.226” (emphasis added).

28. How is “rehabilitation” defined as it pertains to the Commercial Rehabilitation Act?

“Rehabilitation” is defined by MCL 207.842(k) as:

“. . . [C]hanges to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the property to an economically efficient condition. Rehabilitation for a qualified retail food establishment also includes new construction. Rehabilitation also includes new construction of a qualified facility that is a hotel or motel that has additional meeting or convention space that is attached to a convention or trade center that is over 250,000 square feet in size, located within a county with a population of more than 1,100,000 and less than 1,600,000 as of the most recent decennial census, if that new construction is an economic benefit to the local community as determined by the qualified local governmental unit. Rehabilitation also includes new construction on vacant property from which a previous structure has been demolished and if that new construction is an economic benefit to the local community as determined by the qualified local governmental unit. Rehabilitation shall not include improvements aggregating less than 10% of the true cash value of the property at commencement of the rehabilitation of the qualified facility.”

29. What is required of the Local Governmental Unit regarding the yearly status reporting of Commercial Rehabilitation Exemptions to the STC?

No later than October 15th of each year, the assessor of each qualified local governmental unit containing properties subject to a Commercial Rehabilitation Exemption Certificate shall file Form 4769 *Assessing Officer Report for Commercial Rehabilitation Exemption* with the STC. The report must include the current value of the property to which the exemption pertains, the value on which the commercial rehabilitation tax is based, and a current estimate of the number of jobs retained or created by the exemption, and the number of new residents.

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30. Where can I obtain copies of previously issued Commercial Rehabilitation Exemption Certificates?

Copies of certificates acted upon by the STC after January 1, 2013 are available on the Department of Treasury website at:

www.michigan.gov/propertytaxexemptions.

Choose the exemption program under which the certificate was issued. Within the “Certificate Activity” link, the certificates are listed according to the date they were acted upon.

COMMERCIAL REHABILITATION ACT

[Public Act 210 of 2005](#), as amended, encourages the rehabilitation of commercial property by abating the property taxes generated from new investment for a period up to 10 years. As defined, commercial property is a qualified facility that includes a building or group of contiguous buildings of commercial property that is 15 years or older, of which the primary purpose is the operation of a commercial business enterprise or multifamily residential use. A qualified facility may also include vacant property or other commercial property which, within the immediately preceding 15 years, was commercial property. Types of commercial business enterprises include office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Multi-family residential is housing that consists of five or more units. Commercial properties allocated new market tax credits are also considered a qualified facility.

Qualified retail food establishments are considered a qualified facility for purposes of granting the tax abatement. These establishments include a retail supermarket, grocery store, produce market, or delicatessen that offer unprocessed USDA-inspected meat and poultry products or meat products that carry the USDA organic seal, fresh fruits and vegetables, and dairy products for sale to the public. The qualified retail food establishment must be located in a “core community” as defined in the Obsolete Property Rehabilitation Act (PA 146 of 2000) or in an area designated as rural as defined by the United States Census Bureau and is located in an underserved area.

Commercial property does not include property that is to be used as a professional sports stadium or a casino. Land and personal property are not eligible for abatement under this act.

Note: This document is offered as a general guide only and the legislation should be reviewed by local officials.

WHO IS ELIGIBLE?

“Qualified local government units” mean any city, village or township.

WHAT IS REHABILITATION?

Rehabilitation is defined as changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. The new investment in the rehabbed property must result in improvements aggregating to more than 10 percent of

the true cash value of the property at commencement of the rehabilitation of the qualified facility. Rehabilitation includes the following: improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment including heating, ventilation, and lighting, reducing multistory facilities to one or two stories, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the property to an economically efficient condition.

Rehabilitation also includes new construction on vacant property from which a previous structure has been demolished and if the new construction is an economic benefit to the local community as determined by the qualified local governmental unit.

Rehabilitation for a qualified retail food establishment also includes new construction.

WHAT IS THE PROCESS?

Before the Commercial Rehabilitation Exemption Certificate (i.e., property tax abatement) can be granted to the commercial property owner, the city, village or township by resolution of its legislative body, must establish a Commercial Rehabilitation District. The establishment of the district may be initiated by the local government unit or by owners of property comprising 50 percent of all taxable value of the property in the proposed district. The district must be at least three acres in size unless it is located in a downtown or business area or contains a qualified retail food establishment.

The city, village or township must hold a hearing to establish a Commercial Rehabilitation District. Notification of the hearing must be given to the county board of commissioners and all real property owners in the proposed district.

After the hearing is held and the local unit of government determines the district meets the requirements of the act, a copy of the resolution adopting the district shall be provided to the county where the district is established. Within 28 days, the county may accept or reject the establishment of the district. In a county with a county executive, the executive can write a letter rejecting the establishment of the district. In all other counties, the county board of commissioners can pass a resolution rejecting the establishment of the district.

Once the district is established, the property owners may file an application with the local clerk for a commercial rehabilitation exemption certificate. Applications are available from the Michigan Department of Treasury. The local clerk shall provide written notification to the assessor of the local unit of government and each taxing jurisdiction that levies ad valorem property taxes of the application hearing. The city, village or township has 60 days after receipt of the application to either approve or disapprove the application. If denied, a reason must be given in the resolution. The assessor and applicant shall be sent a copy of the unapproved resolution by certified mail. If approved, the application and resolution must be sent to the State Tax Commission, which will certify or deny the application within 60 days. A resolution is not effective unless approved by the State Tax Commission.

COMMERCIAL REHABILITATION EXEMPTION CERTIFICATE

Upon approval by the State Tax Commission, a commercial rehabilitation certificate is issued. The property owner must pay a Commercial Rehabilitation Tax rather than the normal property tax. The certificate must be issued for a period of at least one year, but cannot exceed 10 years. Certificates initially issued for less than 10 years may be extended, but shall not exceed 10 years. The criteria for extensions must be included in the resolution approving the abatement.

The Commercial Rehabilitation Tax freezes the taxable value of the building and exempts the new investment from local taxes. The school operating tax and the State Education Tax (SET) are still levied on the new investment. Land and personal property cannot be abated under this act.

DISCUSSION

In addition to the Commercial Rehabilitation Act (PA 210 of 2005), several other property tax abatements are available for the rehabilitation of commercial property in Michigan, including the Commercial Redevelopment Act (PA 255 of 1978) and the Obsolete Property Rehabilitation Act (PA 146 of 2000). Each act has unique eligibility requirements, processes, and lengths and terms of the abatement. Please refer to the Michigan Economic Development Corporation (MEDC) fact sheet for more information on each program and consult the authorizing statute to determine the best fit for your project needs.

SUPPORTING STATUTE

[Public Act 210 of 2005: Commercial Rehabilitation Act](#)

CONTACT INFORMATION

For more information on the Commercial Rehabilitation Act, contact the [Community Assistance Team \(CAT\) specialist](#) assigned to your territory or visit www.miplace.org.