



CITY OF NOVI CITY COUNCIL
JULY 26, 2021

SUBJECT: Consideration a Resolution Approving Application of Sakura Novi Land Development, LLC for Commercial Rehabilitation Exemption Certificate for a Mixed-Use Commercial and Multi-Family Development at the northeast corner of Grand River Avenue and Towns Center Drive

SUBMITTING DEPARTMENT: City Manager's

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, was approved on at City Council's June 21, 2021 meeting. City Council is now being asked to take the second step, to approve the application for the abatement spanning eight (8) years.

A public hearing for this action was held earlier on this agenda. The abatement will cover 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.

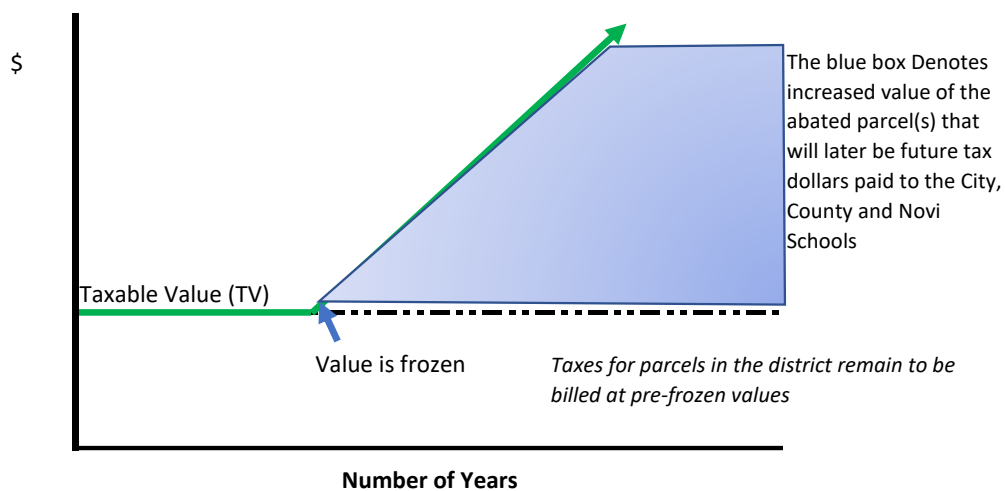
A copy of the Application for an Exemption Certificate is attached. Also attached are:

- Resolution Approving Application of Sakura Novi Land Development, LLC for Commercial Rehabilitation Exemption Certificate for a Mixed-Use Commercial and Multi-Family Development; and
- Agreement Concerning Act 210 Commercial Rehabilitation Abatement

The Resolution contains a number of Recitals and conditions, including the requirement that the Applicant (Sakura) actually acquire the properties affected, which the State

will require at the time it considers the application. It also requires entry into the Agreement, which in turn requires that Sakura develop and use the land in accordance with the Planned Rezoning Overlay (PRO) approvals for the proposed development.

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.

The City and the applicant have been working on the terms and conditions of an agreement that would accompany the Exemption Approval Certificate, is approved by Council. The motion indicates that the approval of the Exemption Certificate is subject to approval of the agreement by the City Manager and City Attorney.

Recommended ACTION: Consideration of Resolution Approving Application of Sakura Novi Land Development, LLC for Commercial Rehabilitation Exemption Certificate for a Mixed-Use Commercial and Multi-Family Development at the northeast corner of Grand River Avenue and Towns Center Drive, subject to approval of a related Agreement Concerning Act 210 Commercial Rehabilitation Abatement by the City Manager and the City Attorney's office.

CITY OF NOVI

COUNTY OF OAKLAND, MICHIGAN

RESOLUTION APPROVING APPLICATION
OF SAKURA NOVI LAND DEVELOPMENT, LLC FOR
COMMERCIAL REHABILITATION EXEMPTION
CERTIFICATE FOR A
MIXED-USE COMMERCIAL AND MULTI-FAMILY DEVELOPMENT
(SAKURA NOVI)

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall in said City on July 26, at 7:00 o'clock P.M. Prevailing Eastern Time.

PRESENT:

ABSENT:

The following preamble and Resolution were offered by _____ and supported by Council Member _____.

Whereas, the City of Novi and Sakura Novi Land Development, LLC (Applicant) 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 Applicant with a mixed-use commercial and multiple-family development, which such development will also include adjacent land owned by ECCO Tool Co. also to be purchased by Applicant, in accordance with a Planned Rezoning Overlay (PRO) Plan and Agreement to be approved by the City; and

Whereas, as part of the purchase and sale agreement, the City and Applicant have agreed that Applicant is permitted to request the establishment of a Commercial Rehabilitation District pursuant to P.A. 210 of 2005, as amended by P.A. Nos. 81 and 82 of 2011, MCL 207.841, *et seq.*, for the City-owned land and the ECCO Tool land (together, the "Property"); and

Whereas, after a duly-noticed public hearing held on June 21, 2021, the City Council of the City of Novi by resolution established a Commercial Rehabilitation District, as requested by the Applicant, to be known as the Sakura Novi Commercial Rehabilitation District No 2; and

Whereas, Applicant has now filed an application for a Commercial Rehabilitation Exemption Certificate with respect to a mixed-use development to be completed within the newly-established District, which such property is Commercial Property as defined in Section 2(a) of Public Act 210, being in particular a mixed-use commercial and multiple-family residential development; and

Whereas, before acting on said application, the City Council held a hearing on July 26, 2021, at the City Hall, at 7:00 p.m., at which hearing the Applicant, the Assessor, and a representative of the affected taxing units, and the general public, after having been given written notice, were afforded an opportunity to be heard on said application; and

Whereas, rehabilitation or other work on the project (i.e., retail and residential units) had not yet commenced July 26, 2021; and

Whereas, the City Council of the City of Novi finds that completion of the 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, and/or prevent a loss of employment, and further finds that the facility will be an economic benefit to the City, if and to the extent the Property is developed in accordance with the PRO Plan and PRO Agreement; and

Whereas, the Applicant has stated in writing that the rehabilitation of the Property would not be undertaken without the Applicant's receipt of the exemption certificate; and

Whereas, the Applicant is not delinquent in the payment of any taxes related to the Property; and

Whereas, the Applicant has provided answers to all required questions under the application instructions to the City of Novi; and

Whereas, the aggregate taxable value of the property proposed to be exempt, when considered together with the aggregate taxable value of property exempt under certificates previously granted and currently in force under Public Act 210 of 2005 or Public Act 198 of 1974 will not exceed 5% of the total taxable value of the City; and

Whereas, the rehabilitation includes improvements aggregating 10% or more of the true cash value of the Property at commencement of the rehabilitation as provided by Section 2(j) of Public Act 210 of 2005, inasmuch as the rehabilitation is in fact new buildings and development in place of obsolete buildings; and

Whereas, the City Council requires that the rehabilitation of the Property shall be completed in accordance the terms and conditions of the PRO Plan and PRO Agreement conditionally approved by the City Council on May 24, 2021, unless such PRO Plan and PRO Agreement are amended by the City Council; and

Whereas, the City Council of the City of Novi finds that granting the Certificate, considered together with the aggregate amount of certificates previously granted and currently in force under Public Act 210 of 2005, as amended, or Public Act No. 198 of the Public Acts of 1974, will not have the effect of substantially impeding the operation of the City of Novi, or impairing the financial soundness of a taxing unit which levies ad valorem property taxes in the City of Novi; and

Whereas, the City Council of the City of Novi makes these findings and approves the issuance of the exemption certificate only if Applicant agrees to and does enter into a certain agreement with the City entitled "Agreement Concerning Act 210 Commercial Rehabilitation Tax Abatement," attached hereto and made a part hereof, and further states that the failure of Sakura Novi Land Development, LLC to sign the Agreement, or to the extent the Agreement is found to be unenforceable for any reason, in whole or part, then this Resolution and the City's approval will be null and void and of no further effect.

NOW, THEREFORE, BE IT RESOLVED that the application of Sakura Novi Land Development, LLC for a Commercial Rehabilitation Exemption Certificate with respect to a new facility to be constructed on the following described parcel of real property situated within the Sakura Novi Commercial Development District No. 2, to wit:

Parcel Number 1: Tax ID Number 50-22-23-126-006, described as follows:

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

Parcel Number 2: Tax ID Number 50-22-23-226-008, described as follows:

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

Parcel Number 3: Tax ID Number 50-22-23-126-011, described as follows:
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

Parcel Number 4: Tax ID Number 50-22-23-226-007, described as follows:
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 the same is hereby approved subject to the terms and conditions and Recitations hereof.

NOW THEREFORE BE IT FURTHER RESOLVED that subject to and in accordance with the Recitations set forth above the Commercial Redevelopment Exemption Certificate when issued shall be and remain in force and effect for a period of 8 years, for the tax years 2022 through 2029, but subject to the terms and conditions of the Agreement Concerning Act 210 Commercial Rehabilitation Abatement between Sakura Novi Land Development, LLC and the City of Novi. ***There is no expectation that the exemption will be extended beyond this stated period of time.***

NOW THEREFORE BE IT FURTHER RESOLVED that this Resolution is subject to and conditioned upon Sakura Novi Land Development, LLC:

- (1) completing the acquisition of and becoming the owner of the Property prior to issuance of any Exemption Certificate; and
- (2) executing the Agreement Concerning Act 210 Commercial Rehabilitation Abatement and such Agreement being given full force and effect, and in the event that the Agreement is not signed or is found to be unenforceable

for any reason, in whole or part, then this Resolution and the City's approval will be null and void and of no further effect.

NOW THEREFORE BE IT FURTHER RESOLVED that this Resolution and the related Agreement Concerning Act 210 Commercial Rehabilitation Abatement are both ***subject to:***

- (1) any right of the County of Oakland, under P.A. 210 of 2005, as amended, to reject the establishment of the District by the City within 28 days of the Council Resolution. If the County in fact rejects the establishment of the District, then this Resolution granting the Exemption Certificate, and the agreement, shall become null and void and of no force and effect; and
- (2) approval of the Exemption Certificate by the State Tax Commission as provided for in PA 210.

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 26th day of July, 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 NOTICE OF PUBLIC HEARING
CONSIDERATION OF THE ISSUANCE OF A
COMMERCIAL REHABILITATION EXEMPTION CERTIFICATE
UNDER P.A. 210 OF 2005, AS AMENDED**

Notice is hereby given that Sakura Novi Land Development, LLC – a Michigan Limited Liability Company has submitted a request to the City of Novi for the issuance of a Commercial Rehabilitation Exemption Certificate under the “Commercial Rehabilitation Act P.A. 210 of 2005.”.

The proposed project consists of the four following parcels:

Parcel Number 1: Tax ID Number 50-22-23-126-006, described as follows:

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

Parcel Number 2: Tax ID Number 50-22-23-226-008, described as follows:

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

Parcel Number 3: Tax ID Number 50-22-23-126-011, described as follows:

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

Parcel Number 4: Tax ID Number 50-22-23-226-007, described as follows:

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

Pursuant to Section 4 (2) of said Act, a public hearing shall be held on July 26, 2021 at 7:00 pm in the Novi City Council Chambers, located at 45175 Ten Mile Road, Novi, Michigan 48375, during which any property owner within the Commercial Rehabilitation District, and any resident or taxpayer of the City of Novi may appear and be heard in relation to the consideration of the aforementioned Commercial Exemption Certificate.

If you have any comments regarding this proposal, they may be presented in writing or at the public hearing.

Cortney Hanson, MMC, MiPMC II
City Clerk

FAUSONE BOHN, LLP

ATTORNEYS AT LAW

PAUL F. BOHN

DIRECT (248) 380-9988

PBOHN@FB-FIRM.COM

July 6, 2021

Cortney Hanson, City Clerk
City of Novi
45175 West Ten Mile Road
Novi, MI 48375

RE: Application for Commercial Rehabilitation Exemption Certificate

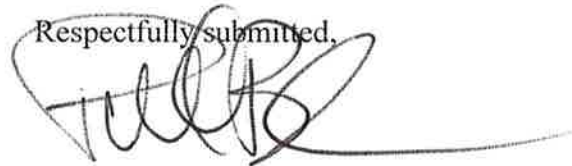
Dear Ms. Hanson:

On behalf of Sakura Novi Land Development, LLC, a Michigan Limited Liability Company, please find enclosed an Application for Commercial Rehabilitation Exemption Certificate regarding certain property located within the City of Novi, County of Oakland, State of Michigan, which parcels have the following parcel identification numbers:

Parcel Number 1: Tax ID Number 22-23-126-006
Parcel Number 2: Tax ID Number 22-23-226-008
Parcel Number 3: Tax ID Number 22-23-126-011
Parcel Number 4: Tax ID Number 22-23-226-007

As you may be aware, these parcels were recently included within a commercial rehabilitation district via Novi City Council resolution. If you have any questions regarding this request or wish additional information, please do not hesitate to contact this office.

Respectfully submitted,



Paul F. Bohn

PFB/emf
Enclosures

cc: Darian Neubecker (via email only – dneubecker@robertsonhomes.com)
Scott Aikens (via email only – gscott@rbaikens.com)
Victor Cardenas (via email only – vcardenas@cityofnovi.org)
Peter Auger (via email only – pauger@cityofnovi.org)

2021 JUL - 8 P 2: 06
CITY OF NOVI
CITY CLERK'S OFFICE

Application for Commercial Rehabilitation Exemption Certificate

Issued under authority of Public Act 210 of 2005, as amended.

LOCAL GOVERNMENT UNIT USE ONLY	
Application No.	Date Received
STATE USE ONLY	
Application No.	Date Received

Read the instructions page before completing the form. This application should be filed after the commercial rehabilitation district is established. The applicant must complete Parts 1, 2 and 3 and file the application form (with required attachments) with the clerk of the local governmental unit (LGU). Attach the legal description of property on a separate sheet. This project will not receive tax benefits until approved by the State Tax Commission (STC). Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the STC.

PART 1: OWNER / APPLICANT INFORMATION (applicant must complete all fields)

Applicant (Company) Name (applicant must be the owner of the facility) Sakura Novi Land Development, LLC - a Michigan Limited Liability Company		NAICS or SIC Code 6531	
Facility's Street Address 42750 Grand River Avenue	City Novi	State MI	ZIP Code 48375
Name of City, Township or Village (taxing authority) Novi	County Oakland	School District Where Facility is Located Novi	
<input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village			
Date of Rehabilitation Commencement (mm/dd/yyyy) 10/01/2021	Planned Date of Rehabilitation Completion (mm/dd/yyyy) 06/01/2025		
Estimated Cost of Rehabilitation approx. \$46,494,988.00	Number of Years Exemption Requested (1-10) 8		
Expected Project Outcomes (check all that apply)			
<input checked="" type="checkbox"/> Increase Commercial Activity <input type="checkbox"/> Retain Employment <input type="checkbox"/> Revitalize Urban Areas <input checked="" type="checkbox"/> Create Employment <input type="checkbox"/> Prevent Loss of Employment <input checked="" type="checkbox"/> Increase Number of Residents in Facility's Community			
No. of jobs to be created due to facility's rehabilitation 110-170	No. of jobs to be retained due to facility's rehabilitation 0	No. of construction jobs to be created during rehabilitation 600	

PART 2: APPLICATION DOCUMENTS

Prepare and attach the following items:


<input checked="" type="checkbox"/> General description of the facility (year built, original use, most recent use, number of stories, square footage)	<input checked="" type="checkbox"/> Statement of the economic advantages expected from the exemption
<input checked="" type="checkbox"/> Description of the qualified facility's proposed use	<input checked="" type="checkbox"/> Legal description
<input checked="" type="checkbox"/> Description of the general nature and extent of the rehabilitation to be undertaken	<input type="checkbox"/> Description of the "underserved area" (Qualified Retail Food Establishments only)
<input checked="" type="checkbox"/> Descriptive list of the fixed building equipment that will be a part of the qualified facility	<input type="checkbox"/> Commercial Rehabilitation Exemption Certificate for Qualified Retail Food Establishments (Form 4753) (Qualified Retail Food Establishments only)
<input checked="" type="checkbox"/> Time schedule for undertaking and completing the facility's rehabilitation	

PART 3: APPLICANT CERTIFICATION

Name of Authorized Company Officer (no authorized agents) Scott Aikens	Telephone Number (248) 283-1071		
Fax Number (248) 283-1150	E-mail Address gscott@rbalkens.com		
Street Address 350 North Woodward Avenue, Suite 300	City Birmingham	State MI	ZIP Code 48009

I certify that, to the best of my knowledge, the information contained herein and in the attachments is truly descriptive of the property for which this application is being submitted. Further, I am familiar with the provisions of Public Act 210 of 2005, as amended, and to the best of my knowledge the company has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local governmental unit and the issuance of a Commercial Rehabilitation Exemption Certificate by the State Tax Commission.

I further certify that this rehabilitation program, when completed, will constitute a rehabilitated facility, as defined by Public Act 210 of 2005, as amended, and that the rehabilitation of this facility would not have been undertaken without my receipt of the exemption certificate.

Signature of Authorized Company Officer (no authorized agents) 	Title Principal	Date 06/28/2021
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PART 4: ASSESSOR RECOMMENDATIONS (assessor of LGU must complete Part 4)			
Provide the Taxable Value and State Equalized Value of Commercial Property, as provided in Public Act 210 of 2005, as amended, for the tax year immediately preceding the effective date of the certificate (December 31 of the year approved by the STC).			
	Taxable Value	State Equalized Value (SEV)	
Land			
Building(s)			
The property to be covered by this exemption may not be included on any other specific tax roll while receiving the Commercial Rehabilitation Exemption. For example, property on the Eligible Tax Reverted Property (Land Bank) specific tax roll cannot be granted a Commercial Rehabilitation Exemption that would also put the same property on the Commercial Rehabilitation specific tax roll.			
<input type="checkbox"/> By checking this box I certify that, if approved, the property to be covered by this exemption will be on the Commercial Rehabilitation Exemption specific tax roll and not on any other specific tax roll.			
Name of Local Government Body			
Name of Assessor (first and last name)		Telephone Number	
Fax Number		E-mail Address	
<i>I certify that, to the best of my knowledge, the information contained in Part 4 of this application is complete and accurate.</i>			
Assessor's Signature			Date
PART 5: LOCAL GOVERNMENT ACTION (clerk of LGU must complete Part 5)			
Action Taken By LGU (attach a certified copy of the resolution):			
<input type="checkbox"/> Exemption approved for _____ years, ending December 30, _____ (not to exceed 10 years)			
<input type="checkbox"/> Exemption Denied			
Date District Established (attach resolution for district)	Local Unit Classification Identification (LUCI) Code	School Code	
PART 6: LOCAL GOVERNMENT CLERK CERTIFICATION (clerk of LGU must complete Part 6)			
Clerk's Name (first and last)		Telephone Number	
Fax Number		E-mail Address	
Mailing Address	City	State	ZIP Code
LGU Contact Person for Additional Information	LGU Contact Person Telephone Number	Fax Number	
<i>I certify that, to the best of my knowledge, the information contained in this application and attachments is complete and accurate and hereby request the State Tax Commission issue a Commercial Rehabilitation Exemption Certificate, as provided by Public Act 210 of 2005, as amended.</i>			
Clerk's Signature			Date

For faster service, the LGU should email the completed application and required documents to PTE@michigan.gov.

An additional submission option is to mail the completed application and required documents to:

Michigan Department of Treasury, State Tax Commission
 P.O. Box 30471
 Lansing, MI 48909

Instructions for Completing Form 4507

Application for Commercial Rehabilitation Exemption Certificate

The Commercial Rehabilitation Exemption Certificate was created by Public Act 210 of 2005, as amended. The application is initially filed, reviewed, and approved by the LGU and then reviewed and approved by the State Tax Commission. According to Section 3 of Public Act 210 of 2005, as amended, the LGU must establish a Commercial Rehabilitation District. **Rehabilitation may commence after establishment of the Commercial Rehabilitation District.**

Owner / Applicant Instructions

1. Complete Parts 1, 2 and 3 of application
2. Prepare and attach all documents required under Part 2 of the application:
 - a. General description of the facility (year built, original use, most recent use, number of stories, square footage)
 - b. Description of the qualified facility's proposed use
 - c. Description of the general nature and extent of the rehabilitation to be undertaken
 - d. Descriptive list of the fixed building equipment that will be a part of the qualified facility
 - e. Time schedule for undertaking and completing the facility's rehabilitation
 - f. Statement of the economic advantages expected from the exemption
 - g. Legal description of the facility
 - h. Description of the "underserved area" (Qualified Retail Food Establishments only)
3. Qualified Retail Food Establishments:
 - a. Complete Part 1 of the *Commercial Rehabilitation Exemption Certification for Qualified Retail Food Establishments* (Form 4753). Submit to LGU clerk along with application.
 - b. Describe the "underserved area" and provide supporting documentation to show how the project area meets one or more of the following requirements:
 - i. An area that contains a low to moderate income census tract(s) which, based on per capita income, are tracts below the 66.67 percentile (\$23,643 in 1999 dollars) and a below average supermarket density
 - ii. An area that has a supermarket customer base with more than 50% living in a low income census tract(s) which based on the per capita income, are tracts below the 66.67 percentile (\$23,643 in 1999 dollars)
 - iii. An area that has demonstrated significant access limitations due to travel distance and has no Qualified Retail Food Establishments within two miles of the geo-center for an urban area or has no Qualified Retail Food Establishments within nine miles of the geo-center for a rural area.

For assistance in determining the project area's eligibility, visit www.michigan.gov/propertytaxexemptions and click on Commercial Rehabilitation Act.
4. Submit the application and all attachments to the clerk of the LGU where the property is located.

LGU Assessor Instructions

Complete and sign Part 4 of the application.

LGU Clerk Instructions

1. After LGU action, complete Part 5 of the application.
2. After reviewing the application for complete and accurate information, complete Part 6 and sign the application to certify the application meets the requirements as outlined by Public Act 210 of 2005, as amended.
3. Assemble the following for a complete application:
 - a. Completed *Application for Commercial Rehabilitation Exemption Certificate* (Form 4507)
 - b. All required attachments listed under Part 2
 - c. A copy of the resolution by the LGU establishing the district
 - d. A certified copy of the resolution by the LGU approving the application
 - e. Complete Form 4753 (Qualified Retail Food Establishments only)
4. **For faster service, email the completed application and additional required documentation to PTE@michigan.gov.** An additional submission option is to mail the completed application and required documents to: Michigan Department of Treasury, State Tax Commission, P.O. Box 30471, Lansing, MI 48909

Application Deadline

The State Tax Commission must receive complete applications on or before October 31 to ensure processing and certificate issuance for the following tax year. Applications received after October 31 may not be processed in time for certificate issuance for the following tax year.

If you have questions or need additional information or sample documents, visit www.michigan.gov/propertytaxexemptions or call 517-335-7491.

SUPPLEMENTAL RESPONSES

General Description of the Facility

The property is comprised of four parcels totaling approximately fourteen acres, one parcel is currently zoned Office Service District, the other three parcels are currently zoned Light Industrial, and have had historic uses including a car wash and a landscaping company. Earliest available records indicate the car wash began in the 1960's and the landscaping company in the mid 1970's. The property is currently vacant and the remaining buildings either decrepit and/or unoccupied.

Description of the Qualified Facility's Proposed Use

The proposed use is complete redevelopment of the parcels into a mixed-use commercial development, currently dubbed Sakura Novi, which will include for the purposes of this Commercial Rehabilitation Exemption Certificate (CREC), an approximately 14,500 square foot building including approximately 12,000 square feet of professional office space and 2,500 square feet of restaurant space, an approximately 13,000 square foot building including approximately 8,000 square feet in restaurant space and 5,000 square feet in non-restaurant retail space, an approximately 15,000 square foot building including approximately 6,000 square feet in restaurant space and 9,000 square feet in non-restaurant retail space, and a building between approximately 3,000 to 4,500 square feet for a single restaurant. This multi-use commercial component will complement the adjacent residential component, which is comprised of 118 townhome styled, for rent, multi-family units totaling approximately 168,000 square feet.

Description of the General Nature and Extent of the Rehabilitation to be Undertaken

The property on which the redevelopment will take place is qualified as a "brownfield" pursuant to historic uses that left some residual environmental contamination. That contamination will be addressed, as well as the demolition and removal of the abandoned and decrepit structures on the property.

Descriptive List of the Fixed Building Equipment That Will be Part of the Qualified Facility and Itemized List of Project Costs

See attached.

Time Schedule for Undertaking and Completing the Facility's Rehabilitation

The Applicant is prepared to proceed beginning in October 2021 with the necessary environmental remediation activities, followed by land balancing, site clearing and the demolition of existing structures. Presuming availability of labor and materials, vertical construction is expected to commence in first quarter 2022, and be completed approximately thirty-six to forty-eight months thereafter.

Statement of the Economic Advantages Expected from the Exemption

The exemption will assist the Applicant in recovering some of its extraordinary costs incurred (1) because of the site's conditions (unstable and/or unsuitable soils as a result of prior historic filling by the landscaping company; (2) to offset some of the costs of land, materials and labor to create the generous public spaces and amenities required by the City as a part of the Zoning approvals process, not typically borne by a project of this scale.

Legal Description of Parcels

PARCEL 1

ID Number: 22-23-126-006

A parcel of land located in and being part of the east 1/2 of the northwest 1/4 of Section 23, T.1N., R.8E., City of Novi, Oakland County, Michigan, being more particularly described as follows:

Commencing at the North 1/4 corner of said Section 23, thence proceeding South 89 Degrees 34 Minutes 00 Seconds West 290.50 feet along the North line of said Section 23 and the centerline of Eleven Mile Road to the point of beginning; thence South 00 Degrees 26 Minutes 00 Seconds East 891.67 feet (recorded as South 00 Degree 17 Minutes 20 Seconds East 891.25 feet) to a point on the centerline of Grand River Avenue (US-16); thence North 71 Degrees 44 Minutes 00 Seconds West 652.02 feet (recorded as 650.70 feet) along said centerline of Grand River Avenue (North half 50 feet wide); thence North 682.64 feet (recorded as 682.62 feet) to a point on the North line of said Section 23, said point being located North 89 Degree 34 Minutes 00 Seconds East 433.84 feet (recorded as 419.90 feet and assessed as 433.70 feet) from the 1/16 corner located at the Northwest corner of the East 1/2 of the Northwest 1/4 of said Section 23; thence continuing North 89 Degrees 34 Minute 00 Seconds East 612.44 feet (recorded as 613.40 feet) along said North line of Section 23 and centerline of Eleven Mile Road (South half 33 feet wide) to the point of beginning.

PARCEL 2

ID Number: 22-23-226-008

Land situated in the City of Novi in the County of Oakland in the State of MI. Part of the Northeast 1/4 of Section 23, Town 1 North, Range 8 East, described as:

Beginning at a point distant North 89 degrees 00 minutes East, 99.53 feet from the North 1/4 corner of Section 23, thence North 89 degrees 00 minutes East, 165.14 feet; thence South 0 degrees 49 minutes 20 seconds East, 527.55 feet; thence South 89 degrees 00 minutes West, 165.14 feet; thence North 0 degrees 49 minutes 20 seconds West, 527.55 feet to the point of beginning.

PARCEL 3

ID Number: 22-23-126-011

Part of the Northwest 1/4 of Section 23, Town 01 North, Range 08 East , Novi Township (now city of Novi), Oakland County, MI described as: Beginning at a point distant South 89 degrees 00 minutes 00 seconds West 65.61 feet from North 1/4 corner of Section 23; thence South 00 degrees 44 minutes 20 seconds East 527.55 feet; thence South 89 degrees 00 minutes 00 seconds West 61.82 feet; thence North 71 degrees 53 minutes 30 seconds West 170.00 feet; thence North 01 degrees 00 minutes 00 seconds West 471.87 feet; thence North 89 degrees 00 minutes 00 seconds East 224.89 feet to the point of beginning.

PARCEL 4

ID Number: 22-23-226-007

Part of the Northwest 1/4 of Section 23, Town 01N, R, 08E., Novi Township (now City of Novi) Oakland County, Michigan. Described as beginning at the North 1/4 corner of Section 23, thence North 89 degrees 00 minutes 00 seconds East 99.53 feet; thence South 00 degrees 44 minutes 20 seconds East 527.55 feet; thence South 89 degrees 00 minutes 00 seconds West 165.14 feet; thence North 00 degrees 44 minutes 20 seconds West 527.55 feet; thence North 89 degrees 00 minutes 00 seconds East 65.51 feet to the point of beginning.

Descriptive List of Fixed Building Equipment and Project Costs

	Start/Complete	Total
Site Improvements	08/01/21-06/01/25	\$ 10,099,110.00
Construction Indirect	08/01/21-06/01/25	\$ 2,175,000.00
Management Fee	08/01/21-06/01/25	\$ 1,000,000.00
Permits/Fees	08/01/21-06/01/25	\$ 1,714,135.00
Foundations	04/01/22-06/01/24	\$ 3,892,868.00
Framing	06/01/22-10/01/24	\$ 5,593,661.00
Mechanical/Engineering/Plumbing	08/01/22-12/01/24	\$ 3,819,248.00
Roofing	08/01/22-12/01/24	\$ 2,494,027.00
Façade	08/01/22-12/01/24	\$ 3,498,475.00
Windows/Doors	08/01/22-02/01/25	\$ 1,820,206.00
Drywall/Insulation/Paint	08/01/22-02/01/25	\$ 1,751,472.00
Cabinets/Counters	08/01/22-02/01/25	\$ 1,106,289.00
Flooring/Finishes	10/01/22-02/01/25	\$ 2,587,003.00
Appliances	10/01/22-02/01/25	\$ 895,494.00
Tenant Construction	10/01/22-02/01/25	\$ 2,598,000.00
GC Fees	08/01/21-06/01/25	\$ 975,000.00
Tap Fees	03/01/22-10/01/24	\$ 475,000.00
Total	08/01/21-06/01/25	\$ 46,494,988.00

* All figures shown herein are estimates. The assessed value of actual construction will be determined by the municipality's assessor subsequent to completion. The above estimated costs do not include land or personal property.

Draft for 7/26/21 Council Meeting

AGREEMENT CONCERNING ACT 210 COMMERCIAL REHABILITATION ABATEMENT

(SAKURA NOVI)

The City of Novi ("City"), located at 45175 W. Ten Mile Road, Novi, MI 48375, and Sakura Land Development ("Company"), a Michigan Limited Liability Company, located at 42750 Grand River Avenue, Novi, MI 48375 ("the Parties"), agree as follows:

Recitals

- A. After due notice and deliberation, and taking into consideration the statements received by the City Council at a hearing held on June 21, 2021, the City Council adopted a Resolution creating a Commercial Rehabilitation District (the "District") pursuant to Act 210 of the Public Acts of 2005, as amended (the "Act 210"), for the property described on the Legal Description attached and made a part of this Agreement (the "Property"), located approximately at 42750 Grand River Avenue, Novi, Michigan.
- B. The Company submitted an application ("Application") for issuance of a Commercial Rehabilitation Exemption Certificate ("Certificate") for the Property, as provided for in Act 210. The Application was formally received by the City on July 6, 2021. The Application is incorporated as part of this Agreement by reference.
- C. The Company represented in its application that it will construct a mixed-use commercial and multiple-family residential development as approved by the City, and only as approved by the City, on the Property (the "Building Investment") and that (1) the Property is Commercial Property as defined in Act 210, and (2) the mixed-use commercial and multi-family residential development will be a Qualifying Facility as defined in Act 210.
- D. The City and the Company desire to enter into this Agreement for the purpose of setting forth the terms and conditions under the Certificate shall be approved and issued by the State Tax Commission for the Property proposed to be exempt from *ad valorem* real property taxes.

NOW THEREFORE, in consideration of the foregoing, the Parties now enter into this Agreement.

Terms and Conditions

1. Subject to and in accordance with the Recitals set forth above, on July 26, 2021 the City Council adopted a Resolution approving the Company's Application for an abatement of real property taxes related to the Building Investment under Act 210 (the "Resolution") for a period not to exceed six (6) years, subject to the Recitations

in the approval Resolution and the provisions of this Agreement. A copy of the Resolution is attached and is incorporated into this Agreement. At the end of the eight (8) year abatement period the Property shall be subject to full *ad valorem* taxation. There is no contemplation by the Parties that the eight (8) year period will be extended.

2. In consideration of a eight (8) year abatement of real property taxes, for the 2022 through 2029 tax years (imposed based upon taxable values as of December 31, 2021 through December 31, 2028 (the "Abatement Period"), the Company represents and warrants that it will build and occupy the Building Investment for the entire abatement period, subject to the assignment provisions below. The Company further agrees as follows with respect to the Building Investment:
 - a. That the Building Investment shall be in accordance with and at all times in compliance with the Planned Rezoning Overlay (PRO) Plan and Agreement conditionally approved by the City Council on May 24, 2021, subject to any amendments approved by the City Council, and with all other City ordinance requirements.
 - b. That the cost of the construction of the Building Investment (i.e., the mixed-use commercial and multi-family residential development) will be a minimum estimated range of \$44,000,000 to \$ 48,000,000, and that the design elevations, materials, and quality of tenant/occupant will be and remain of such quality or greater and as proposed and depicted in the Company's application materials and more particularly the approved PRO Plan and PRO Agreement approved by the City; provided, however, that while such amount shall be the minimum amount of investment in the mixed-use commercial and multi-family residential development, the Parties acknowledge that it will not be determinative of value for purposes of the commercial rehabilitation tax, which shall be established by applicable valuation methods as provided by law and subject to challenge by the Company in accordance with the law; and provided, further that the Company shall be entitled to appeal the value established to the Michigan Tax Tribunal only if it exceeds the average taxable value of other similar properties located in the City of Novi.
 - c. That property taxes for the Building Investment will be timely paid and that there will be no outstanding fines or liens by the company or any other entity with regard to the property at issue.
 - d. That the Building Investment and/or Property will bear its appropriate share, if any, for any existing or future payback or special assessments, as determined by the City.
 - e. That the use of the Building Investment will not change during the term of the abatement.

Collectively, these representations (a) – (d) shall be referred to as the "Undertakings."

3. At the end of each calendar year from and after December 31, 2022, the City shall evaluate the Building Investment to determine whether the Company has defaulted on any obligations Act 210 or under this Agreement, including any of the Undertakings set forth in paragraph 2 above. The City Council retains all rights to revoke the Certificate by resolution as set forth in Section 12 of Act 210, if it finds that:
 - a. The Company is in default of any provisions of this Agreement, including of the Undertakings set forth in paragraph 2; or
 - b. The Company has not fully and completely complied with PRO Plan and/or PRO Agreement; or
 - c. The Company has not proceeded in good faith with the development of the Property.

If any such default is found by the City to exist, other than due to the enactment of laws, regulations, or ordinances by the City that materially impair the Company's ability to operate at the Property, then upon written demand the Company shall pay the City a sum equal to the amount of real property taxes abated for the entire period that the Certificate was in effect (i.e., from the effective date of the Certificate) and the City shall revoke the Certificate. Following receipt of such a written demand from the City, the Company may petition ("Petition") the City Council to conduct a public hearing to determine if the Company should be excused from all or any part of such payment obligation for such reasons as may be presented by the Company to the City and if revocation should not occur. The City Council shall conduct a public hearing within sixty (60) days from the date that the Petition is filed with the City Clerk. The Company's obligation to make such payment shall be suspended until the City Council has conducted such public hearing regarding the Petition and decided whether to approve the waiver of some or all of such obligation.

4. Any other provision of this Agreement notwithstanding, if during the Abatement Period the Company abandons the Property, or otherwise fails to develop, improve, and/or occupy the facility as contemplated in this Agreement and in the PRO approval, including the PRO Plan and PRO Agreement, the City shall immediately revoke the Certificate, and the Company shall pay to the City the entire amount of the additional taxes, for the entire period that the Certificate was in effect, that the taxing jurisdictions would have received if the Certificate had not been issued.
5. If any of the foregoing amounts are not paid within sixty (60) days of receipt of a billing sent for same to the Company, the City may institute a civil action against the Company, and the City shall be entitled to recover the amounts stated in the billing described above. In addition, the Company shall pay all court costs and attorneys' fees incurred by the City in connection with such civil action if the City prevails.

6. Any all modifications or amendments to this Agreement must be made in writing and approved by the City Council and the Company.
7. The covenants and provisions set forth herein shall bind the successors and assigns of the parties. This Agreement is assignable and transferable by either party, provided that such assignment and transfer by the Company shall be subject to the approval of the City.
8. The Agreement will be interpreted, construed, and enforced in all respects in accordance with the laws of the state of Michigan.
9. The Agreement constitutes the entire understanding of the Parties regarding the abatement of real property taxes in the District and supersedes any other prior writings, agreements, contracts, or understandings between the City and the Company regarding the abatement of real property taxes in the District.
10. The Parties acknowledge that each of them has consulted with attorneys and counselors regarding this Agreement and that the City and the Company have equally participated in the drafting of this Agreement. The Company acknowledges that the terms, conditions, requirements, and obligations of the Certificate and this Agreement are lawful and are reasonable in consideration for the benefits the Company has determined that it will achieve by issuance of the Certificate, and the Company agrees that it shall not be permitted to claim that the City is not authorized by law and/or equity to enforce any provision of this Agreement.
11. The Parties each represent that the undersigned individuals are authorized to execute this Agreement on behalf of the City and the Company.
12. In the event that any portion or provision of this Agreement is deemed to be unlawful or unenforceable, the unlawful or unenforceable provision shall be stricken and the remaining portions and provisions shall be fully enforced.
13. This Agreement shall become effective upon issuance by the Michigan State Tax Commission of an Certificate to the Company with respect to the Property and shall be null and void and of no force and effect whatsoever if no Certificate is issued by the Michigan State Tax Commission. A duly executed copy of this Agreement shall be filed with the Michigan Department of Treasury.
14. If the Company files a petition with the Michigan Tax Tribunal to challenge the assessment of the Property during the Abatement Period that does not result in a reduction in the assessment, the Company shall reimburse the City's reasonable costs of defending such action. The Company agrees to pay all amounts due hereunder and under Act 210 and/or the Certificate in a timely manner and shall not allow any such amounts to become delinquent. Failure to pay amounts due hereunder and under Act 210 and/or the Certificate within thirty (30) days after the Company's receipt of a written notice of non-payment which refers to this Section 18 of this Agreement shall constitute a default and shall be grounds of revocation of the Certificate.

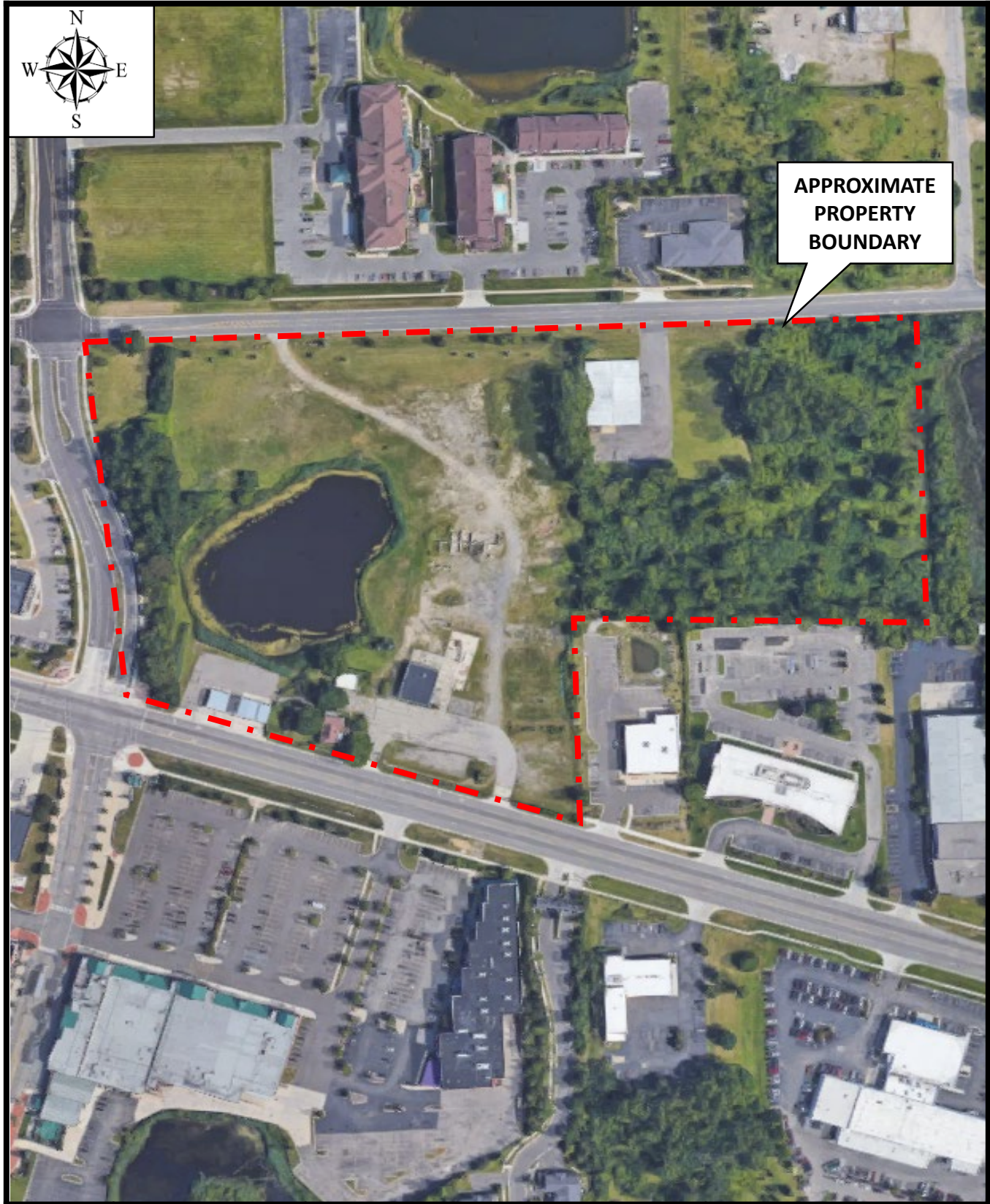
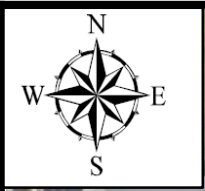
15. The company affirmatively states that it would not proceed with the construction of the Real Estate Investment if this abatement were not granted. The Parties have executed this Agreement as of the date of the last signature below (the "Effective Date").

Sakura Novi, LLC
Development Issues

1 Wetland	\$ 350,000	Mitigation studies costs to address Eastern City Parcel
2 Environmental Contamination	\$ 850,000	Estimate to Remove contaminated soils/structures/brownfield plan/reports
3 Unsuitable Soils	<u>\$ 1,500,000</u>	Rough Estimates based on helicals/geo-piers/pilings/grade beams
Total Pre-COVID Issues	\$ 2,700,000	
4 Rent/TI Allowance Losses	\$ 2,300,000	Loss of Anchor Tenant and Retail Rent Reductions due to COVID
5 Commercial Construction Cost Increases	\$ 1,150,000	Cost of Materials/Labor up on Commercial Buildings
6 Residential Construction Cost Increases	<u>\$ 3,540,000</u>	Cost of Materials/Labor up 30k per unit roughly
Total Post-COVID Issues	\$ 6,990,000	
Total Development Issues	\$ 9,690,000	Additional Costs/Loss of Income to be Absorbed over 10 years

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 • Wilkom, 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."

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

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

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.

Frequently Asked Questions
Commercial Rehabilitation Act
(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.

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

- 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.

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

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.

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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.