

**AGENDA
CITY OF SWARTZ CREEK
PLANNING COMMISSION
PAUL D. BUECHE MUNICIPAL BUILDING
TUESDAY, JULY 2, 2019, 7:00 P.M.**

- 1. CALL TO ORDER:**
- 2. PLEDGE OF ALLEGIANCE:**
- 3. ROLL CALL:** Binder, Farmer, Farrell, Grimes, Henry, Krueger, Novak, Stephens & VACANT.
- 4. APPROVAL OF AGENDA:**
- 5. APPROVAL OF MINUTES:**
- 6. CORRESPONDENCE:**
 - A. Resolutions
 - B. Minutes: June 4, 2019
 - C. Staff Meeting Letter
 - D. State Incentive Explanations
 - E. Incentive Draft Guidelines
- 7. MEETING OPENED TO PUBLIC (NON-PUBLIC HEARING ITEMS):**
- 8. BUSINESS:**
 - A. Incentive Guideline Consideration
- 9. MEETING OPENED TO THE PUBLIC:**
- 10. REMARKS BY PLANNING COMMISSION MEMBERS:**
- 11. ADJOURNMENT:**

**RESOLUTIONS
CITY OF SWARTZ CREEK
PLANNING COMMISSION
PAUL D. BUECHE MUNICIPAL BUILDING
TUESDAY, JULY 2, 2019, 7:00 P.M.**

Resolution No. 190702-01 **Agenda – July 2, 2019**

Motion by Planning Commission Member: _____

I Move the Swartz Creek Planning Commission approves the agenda for the July 2, 2019 Planning Commission meeting.

Second by Planning Commission Member: _____

Voting For: _____

Voting Against: _____

Resolution No. 190702-02 **Minutes – June 4, 2019**

Motion by Planning Commission Member: _____

I Move the Swartz Creek Planning Commission approves the Minutes for the June 4, 2019 Planning Commission meeting.

Second by Planning Commission Member: _____

Voting For: _____

Voting Against: _____

Resolution No. 190702-04 **Adjourn**

Motion by Planning Commission Member: _____

I Move the Swartz Creek Planning Commission adjourns the July 2, 2019 Planning Commission meeting.

Second by Planning Commission Member: _____

Voting For: _____

Voting Against: _____

**CITY OF SWARTZ CREEK
SWARTZ CREEK, MICHIGAN
MINUTES OF PLANNING COMMISSION MEETING
June 4, 2019**

Meeting called to order at 7:01 p.m. by Commissioner Stephens.

Pledge of Allegiance.

ROLL CALL:

Commissioners present: Binder, Henry, Novak, Grimes, Krueger, Farmer, Ridley, Stephens.

Commissioners absent: Culinski.

Staff present: Adam Zettel, City Manager.

Others present: Bob Plumb, Rae Lynn Hicks, Al Jory & Brett Jory RBF Construction.

APPROVAL OF AGENDA:

Resolution No. 190604-01 **(Carried)**

Motion by Commissioner Krueger support by Commissioner Novak, the Swartz Creek Planning Commission approves the agenda for the June 4, 2019 Planning Commission meeting.

Unanimous Voice Vote
Motion Declared Carried

APPROVAL OF MINUTES:

Resolution No. 190604-02 **(Carried)**

Motion by Commissioner Krueger support by Commissioner Binder the Swartz Creek Planning Commission approves the minutes for the May 7, 2019 Planning Commission meeting.

Unanimous Voice Vote
Motion Declared Carried

MEETING OPENED TO THE PUBLIC:

None.

BUSINESS:

Zoning Updates

Discussion

Adam Zettel, City Manager, we are continuing on the process of RRC initiative. We had an audit of Zoning Ordinance, which we have made some initial changes last fall and additional subsequent changes. We spent a lot of time and made a lot of changes over the last 4 or 5 meetings which included a public hearing. He is hoping that we get a recommendation tonight to proceed to the city council.

Kelly McIntyre, CIB Planning, packet presented tonight has some changes. One change is an addition made to conditional land uses chapter. We have included a number of conditional land uses with criteria. She also proposes an amendment to the CBD District to allow townhomes with the exception of Miller Road.

Mr. Zettel commented on a few changes needed and recommended.

Public Hearing

Open 7:14 p.m.

Rae Lynn Hicks, 8373 Miller Road, she commented on a car wash / auto repair parking issues.

Kelly McIntyre, she would make sure that an auto wash and an auto service shops would be separated. Auto Servicing should be in GBD. Auto Wash could be a conditional use in CBD with criteria on certain number on stacking.

Closed 7:15 p.m.

Mr. Zettel has proposed changes:

Multifamily and automobile washes can be permitted in CBD off Miller Road.
Auto servicing will not be permitted in CBD.
No Marihuana growing or testing.

Resolution No. 190604-02

(Carried)

Motion by Commissioner Krueger support by Commissioner Farmer the Swartz Creek Planning Commission recommends approval of zoning ordinance changes as amended to City Council for adoption.

Yes: Novak, Grimes, Krueger, Farmer, Ridley, Stephens, Binder, Henry.
No: None. Motion Carried.

Brewer Condominium Townhome Site Plan

Discussion

Mr. Zettel, City Manager updated the board on the vision of the DDA with this property and how this project transpired.

Brett Jory, RBF Construction, spoke of his professional and personal background. He gave the history of the Brewer name of the condos. He commented on the changes previous requested.

Rae Lynn Hicks, 8373 Miller Road, commented on available parking during the construction, responsibility of risks during the construction and timeline of construction phases.

Resolution No. 190604-03

(Carried)

Motion by Planning Commission Member Krueger
Second by Planning Commission Member Novak

WHEREAS, the city received a proposal to construct 15 condominium townhomes on two parcels of land zoned CBD, those parcels being 58-35-576-001, 002, and;

WHEREAS, the project is a permitted use within the CBD and requires a full site plan review, and;

WHEREAS, the planning commission, in reviewing the application materials and review criteria in Zoning Ordinance Sections 8, 18, 20, & 26-29, among other sections, finds the proposed site plan meets the intent of the zoning ordinance, and;

WHEREAS, the planning commission finds that the site plan meets all other general and specific standards applicable if the following conditions are met:

1. Transfer of the property, less the fire pit, to the developer conditioned upon filing of a final master deed

NOW, BE IT RESOLVED that the Swartz Creek Planning Commission hereby recommends approval of the site plan and preliminary condominium master deed, included in the June 4, 2019 packet, to the city council, subject to the conditions in this resolution.

Yes: Grimes, Krueger, Farmer, Ridley, Stephens, Binder, Henry, Novak.
No: None. Motion Carried.

Meeting Open to Public:

None.

Remarks By Planning Commission:

Commissioner Binder we need to get with the chamber and see if we can get a booklet for Swartz Creek.

Commissioner Ridley commented on how much she likes the new ordinance. She can't wait to see the townhomes.

Commissioner Krueger commented on how the county is using pictures of our new roads in the city. He notices the homes on the new streets are really showing great pride of their homes and making things beautiful.

Commissioner Farmer does like the idea of working with the chamber and putting together a resource book for the city.

Commissioner Grimes said he likes the townhomes and start digging.

Adjourn

Resolution No. 190607-04

(Carried)

Motion by Planning Commission Member Farmer
Second by Planning Commission Member Grimes

I Move the Swartz Creek Planning Commission adjourns the May 7, 2019 Planning Commission meeting.

Unanimous Voice Vote
Motion Declared Carried

Meeting adjourned at 8:40 p.m.

Jentery Farmer,
Secretary



Adam Zettel, AICP

City Manager
azettel@cityofswartzcreek.org

Date: June 26, 2019

To: Planning Commissioners
From: Adam Zettel, AICP
RE: July 2, 2019 Planning Commission Meeting

Hello everyone,

We will be meeting at 7:00 p.m. on July 2, 2019. Concerning existing business, the Brewer Townhome project is approved. The council has also approved a conditional land sale for the project site. Based on the current circumstances, I expect this project to start in September. Zoning ordinances that were reviewed last month are also formally approved and will be in effect for future site plans.

We can finally return to business regarding the city's abatement and incentive program. The provision of abatements (state enabled property tax relief) and incentives (local fee waivers and other financial awards) is geared toward achieving the best practices of the Michigan Redevelopment Ready Community program.

The intent is to encourage private use of RRC-identified properties and downtown properties, provided that use accomplishes a public purpose and requires the assistance.

The city council approved the conceptual use of abatements and incentives for such properties this spring with the understanding that the planning commission could work to make recommendations regarding the application of such abatements and incentives. The available tools include:

1. Michigan Public Act 255 of 1978: Commercial Redevelopment Act
2. Michigan Public Act 210 of 2005: Commercial Rehabilitation Act
3. Michigan Public Act 198 of 1974: Plant Rehabilitation and Industrial Development Act
4. Expedited Permitting (available to all RRC properties)
5. Water and Sewer Connection Fee Waivers (Downtown only)
6. Tax Increment Financing Assistance (Downtown only)

July 2, 2019
Planning Commission

The resolutions passed to date do not create any abatement districts or result in direct policy, but it enables marketing of RRC sites with the state, and it will provide a basis for developer interest in our community development goals. The resolution also directs the planning commission to work on a policy for the application of the incentives.

I do not expect this policy to be prescriptive or rigid in nature. Instead, we want the city to have latitude to consider each project independently and award any incentives on an incremental or percentage basis using the site-specific circumstances. The policy paradox we face is that we desire a predictable and fair instrument, but one that can be flexible based upon program intent and the ability to respond to the unforeseen.

With that said, I am including fact sheets on the state incentives along with a complete draft of the city's potential abatement & incentive program. Note that the state abatements are geared toward providing tax relief on new investment that is in line with the public goals. Local incentives include the waiver of water/sewer tap fees for new projects and expansions. Local incentives MAY include the use of DDA funds down the road, but we do not need to worry about that now.

The program includes a policy, a process, a checklist, and an application. It was created using the strategic goals established for the program by the council. I am hopeful that commissioners find that desirable project features were able to be reasonably transformed into quantifiable measures.

Please go through the material carefully. The program includes a section on intent that will help explain the 'why' portion of our approach before describing the 'how' and 'what' features of the program. This will be the sole agenda item, and the program is also of great importance to the community. I believe that this draft is very solid in its content, application, and form. However, I am only one person and we can expect to find some shortcomings and errors.

Moving into the coming months, I expect to have a zoning request in for Mary Crapo. The property is pending purchase by Communities First, conditioned upon use for senior housing. They are considering about 40-50 units in the existing building. At this time, it is unclear if they will be seeking to add additional building space. In any event, I expect a zoning request (Downtown Residential to Multi-family Residential) and a site plan.

We may also have a small site plan request for vacant land on the Meijer site. I cannot say much now, but this may be before us in August.

Sincerely,

July 2, 2019
Planning Commission



Adam H. Zettel, AICP
City Manager
City of Swartz Creek
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Swartz Creek Tax Abatement and Incentive Policy Procedures

1. Contact made from perspective applicant of tax abatement or incentive.
 - a. City of Swartz Creek Abatement & Incentive Policy and Application given to applicant. **(All applications are to go through City Clerk per policy and/or public act.)**
 - b. Give notice to city manager & city assessor.
 - c. Review of application and set meeting with applicant if determined they qualify.
2. Meeting with applicant after application is received.
 - a. Applicant presents possible project. Require applicant to have a cost of project analysis prepared by contractor or architect.
 - b. If applicant is unsure of abatement/exemptions available, review of each is presented.
 - c. If a qualified district for abatement is not in place, applicant is required to request, in writing, a district be established. (In some cases, notification must be given to assessor of request for a district because determining obsolescence is charged to assessor.)
 - d. If qualified district exists, skip to 4.
3. Establishing a district after receipt of request (STC abatements only).
 - a. Prepare memo to council explaining the project and if the applicant qualifies for an abatement/exemption per the city's policy. (Council has already proven to ignore interpretation and recommendation from staff).
 - b. Prepare resolution to set public hearing for establishing a qualified district.
 - c. Prepare maps and any other data that will assist council in making a decision.
 - d. All documents given to clerk by deadline set for being placed on council agenda.
4. After receipt of Incentive Application or State Exemption Application. (See tax link on Michigan.gov).
 - a. Prepare report to council, again explaining project.
 - b. Prepare resolution to set public hearing for abatement/exemption (hearing not required for local incentives).
 - c. Prepare Abatement Schedule for council that determines years for the abatement/exemption, not to exceed statutory limits. The applicant is to present cost estimate prepared by contractor or architect.
 - d. Prepare other supporting documents for council, such as maps, drawings, copy of city's abatement application.
 - e. All documents given to clerk (city manager) by deadline set for being placed on council agenda.
5. Assist clerk in preparing final approved and required documents to send to State Tax Commission for their approval. Many of the statutes give the STC 60 days to make their final approval and may also require documents be sent to them by October to place the abatement/exemption in place for the following year.

TAX ABATEMENT & INCENTIVE CRITERIA CHECKLIST

I. INITIAL CONSIDERATION

- | | | | |
|---|---|---|----|
| A. Are the benefits to the city of the proposed abatement at least <u>equal to or greater than</u> the cost of the abatement? | Y | N | |
| | | | |
| B. In the public interest, will the abatement accomplish any of the following purposes? | | | |
| a. provide significant economic and/or employment opportunities; | Y | N | |
| b. provide or help acquire or construct public facilities; | Y | N | |
| c. significantly redevelop or renew blighted areas; | Y | N | |
| d. help redevelop or renew blighted areas; | Y | N | |
| e. help provide access to services for residents; or | Y | N | |
| f. preserve or restore a feature of historical significance. | Y | N | |
| | | | |
| C. Does the abatement apply to a RRC site? | Y | N | NA |
| D. Does the incentive apply to a DDA site? | Y | N | NA |

II. EVALUATION CRITERIA

- | | | | |
|--|---|---|--|
| A. <i>Private Development Objectives.</i> Will using tax abatement help the development project strive to achieve one or more of the following objectives? | | | |
| 1. Include investment in formally recognized RRC sites | Y | N | |
| 2. Provide for hospitality, cultural, entertainment, and recreational uses | Y | N | |
| 3. Include historic preservation or restoration | Y | N | |
| 4. Provide or retrain build-to lines for development (little or no setbacks) | Y | N | |
| 5. Provide outdoor uses such as dining, seating, recreation, etc. | Y | N | |
| 6. Include strong pedestrian features and design | Y | N | |
| 7. Include residential uses | Y | N | |
| 8. Provide multiple stories | Y | N | |
| 9. Provide total investment of over \$10,000,000 or 50 FTE | Y | N | |
| 10. Satisfy specific plan goal | Y | N | |

CITY OF SWARTZ CREEK

Tax Abatement & Incentive Policy

Policy Statement: The City of Swartz Creek is committed to enhancing the quality of life for its residents. To do so, the community recognizes the need for robust and diverse businesses to add cultural, entertainment, economic, and related value to the community. The community further recognizes a need to create high-quality places (including walkable areas, diverse housing, higher densities, and public amenities) for such activities, especially in the traditional downtown. Lastly, the community recognizes that some barriers exist to fulfilling these aspirations, including obsolescence of property limited market strength of specific market actors.

Tax abatements (as provided by state statute) and local incentives (in the form of fee waivers and Tax Increment Financing assistance) can encourage private development projects that produce the results desired. Accordingly, consideration for tax abatements and/or incentives is viewed as a privilege, not as a property right. This policy establishes minimum requirements and a uniform set of standards and procedures to be used when considering a request for a tax abatement/exemption or incentives.

The focused purpose of tax abatements and local incentives is to provide for private investment that would not otherwise occur, provided such investment is aligned with the city's stated intentions. See the City Master Plan and Downtown Development Plan. Abatements and incentives, if awarded, are expected to be awarded to varying degrees that are in proportion with the degree of public benefit that results. The impetus for a formal program is based upon the Michigan Redevelopment Ready Communities best practices.

Abatements include:

1. Michigan Public Act 255 of 1978: Commercial Redevelopment Act
2. Michigan Public Act 210 of 2005: Commercial Rehabilitation Act
3. Michigan Public Act 198 of 1974: Plant Rehabilitation and Industrial Development Act

Incentives Include:

1. Water and Sewer Connection Fee Waivers
2. Tax Increment Financing Assistance (Per DDA policy & City Council Budget Oversight)

I. MINIMUM REQUIREMENTS FOR TAX ABATEMENTS & INCENTIVES

- A. Abatements & incentives shall be subject to duration and amount limits.
- B. Such duration and amount limits shall be for the minimum amount necessary to meet the goals of the project.
- C. Benefits to the city of the proposed abatement or incentive shall be:
 1. at least equal to or greater than the cost of the abatement; and
 2. accomplish at least one of the following purposes:
 - a. provide significant economic and/or employment opportunities;
 - b. provide or help acquire or construct public facilities;

- c. significantly redevelop or renew blighted areas;
 - d. help provide access to services for residents; or
 - e. preserve or restore a feature of historical significance.
- D. The taxable value of any proposed abatement, considered together with the aggregate taxable value of property exempt under certificates previously granted and in force shall not exceed five-percent of taxable value of the City of Swartz Creek.

Example: 2020 City of Swartz Creek potential taxable value - \$150,000,000
 Five-percent of City of Swartz Creek - \$7,500,000

- E. The city will not issue or be a signatory on bonds in connection with abatements.
- F. Commencement of any new construction or improvements shall be within the limits set forth within the applicable act related to the abatement being applied for.
- G. The city council will not take action on any abatement or incentive unless the applicant or legal representative is present at the public hearing to make a presentation and/or answer questions.
- H. The City reserves the right to waive, modify, or amend any of these policies when it is in the best interest of the city residents.
- I. Abatements shall be granted for RRC sites only.
- J. Incentives shall be granted for DDA sites only.

II. EVALUATION CRITERIA

- A. *Private Development Objectives.* The City of Swartz Creek will consider using tax abatement and local incentives to help private development projects that strive to achieve three or more of the following objectives:
 - 1. Include investment in formally recognized RRC sites (required for abatements)
 - 2. Provide for hospitality, cultural, entertainment, and recreational uses
 - 3. Include historic preservation or restoration
 - 4. Provide or retrain build-to lines for development (little or no setbacks)
 - 5. Provide outdoor uses such as dining, seating, recreation, etc.
 - 6. Include strong pedestrian features and design
 - 7. Include residential uses
 - 8. Provide multiple stories
 - 9. Provide total investment of over \$10,000,000 or 50 FTE
 - 10. Satisfy specific plan goal
- B. *Additional Objectives.* Some investments and their consequences are difficult to foresee, requiring flexibility in the decision making process. The City of Swartz Creek will therefore consider the following factors when evaluating tax abatement and incentive requests to help private development projects:
 - 1. Additional consideration will be given to existing businesses seeking to expand and grow within the city.

2. Whether or not the proposed project provides services not already provided in the city or services which are needed.
3. Whether or not the proposed business would be in direct competition with existing businesses in the city. Abatements should not be given to businesses which would receive a competitive advantage over similarly situated businesses in the city.
4. Whether or not the project will significantly impact environmental/natural resources.
5. Public and other stakeholder input.
9. The extent to which the project satisfies or requires improvements in city infrastructure, traffic control, or services such as law enforcement.
10. Consistency of the proposed project with city land use regulations, zoning and planning policies.
11. How the proposed project furthers the goals and objectives of the city and/or community.
12. The level of private financial investment into the project.

III. APPLICATION

- A. The applicant shall submit an application (available from the city) for all projects for which a tax abatement is sought from the City of Swartz Creek.
- B. Applications shall include:
 1. A letter formally requesting tax abatement or incentive from City of Swartz Creek;
 2. Completed application for tax abatement with all support materials attached (if applicable);
 3. The applicant will pay for any contracted legal, financial, consultant or other third party costs not to exceed statutory limits of the applicable act.
 4. Official forms developed by the state of Michigan, if applicable, shall also be submitted in a timely manner per procedures set forth within the applicable abatement/exemption act under which the application is made.
- C. The applicant shall submit completed applications to the city clerk.

IV. APPROVAL PROCESS

- A. The city clerk shall notify, by certified mail, each taxing jurisdiction of a request to establish an abatement district or an application for the abatement. Said taxing jurisdiction shall have 15 days from the date of receipt of said notification to respond in writing of their thoughts and considerations. These taxing jurisdictions shall have no voting or veto authority.
- B. The city clerk shall notify applicant by certified mail if the application is found consistent with this policy. Procedures set forth within the abatement/exemption act shall be followed.
- C. The length of the exemption shall be determined by the attached abatement schedule.
- D. The approval for the abatement district and approval of an application for abatement shall not be addressed at the same meeting.

V. DEVELOPMENT AGREEMENT AND ANNUAL REPORTING REQUIREMENTS

- A. *Development Agreement.* All projects granted tax abatement will be required to enter a development agreement. The development agreement will be recorded against the property, will clearly define the responsibilities of the property owner(s) receiving the abatement, and will require annual reporting.

- B. *Annual Reporting Requirements.* All projects granted tax abatement shall submit an annual status report on the form developed and provided by the City of Swartz Creek. The requirement makes all abatements granted consistent with State Tax Commission Administrative Rules, as they pertain to relevant Public Acts, as amended. The report content will meet reporting expectations set in the Development Agreement.

VI. RESCISSION OF ABATEMENT/EXEMPTION

- A. Imposition of any rescission is at the sole discretion of the City of Swartz Creek and shall be considered on a case-by-case basis in compliance within the applicable act under review.
- B. Rescission shall not violate the statutory requirements of the applicable act in any way. Consideration may include but are not limited to the:
 - 1. sale or closure of the facility and departure of the company from the jurisdiction unless abatement/exemption is transferable.
 - 2. significant change in the use of the facility and /or the business activities of the company not consistent with the requirement of the applicable act for which approved.
 - 3. significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic condition.
 - 4. failure to achieve the minimum number of net new jobs and wage level as specified in the abatement/exemption application.
 - 5. failure to complete the project in a timely manner as specified in the approval resolution.
 - 6. failure to comply with annual reporting requirements.
 - 7. failure to pay annual property taxes on real and personal property not exempt under the approved abatement/exemption.
 - 8. failure to cooperate with the City of Swartz Creek ordinances and policies.

Abatement Schedule

This schedule applies to Industrial or Commercial Property as defined in 211.34c of the General Property Tax Act

1. Capital investment \$Up to \$100,000 \$100,001 to \$250,000 \$250,001 to \$500,000 \$500,001 to \$1,000,000 \$1,000,001 to \$2,500,000 \$2,500,001 to \$5,000,000 \$5,000,001 and up	Years of tax abatement 1 2 3 4 5 6 7	Rehabilitated/restored additional two years in any capital investment
2. Job creation <u>as Full Time Equivalent</u> 1-10 11-25 26-50 51 and up	Years of tax abatement 2 3 4 5	
3. Job wages Average wage > 1.5x minimum wage Average wage > 2x minimum wage Average wage > 3x minimum wage	Years of tax abatement 2 4 6	
4. Number of years located in the City 2-10 11-15 16 and up	Years of tax abatement 1 2 3	
5. Private Development Objectives (II.A) 4-5 6-7 8+	Years of tax abatement 2 3 4	

Note: Total number of tax abatement years shall not exceed statutory limits. This schedule applies to years of TIF assistance.

Incentive Schedule

Incentives provided as a percentage of fee waivers (water and sewer REU's) or TIF funds returned to project (if available)

1. Capital investment \$Up to \$100,000 \$100,001 to \$250,000 \$250,001 to \$500,000 \$500,001 to \$1,000,000 \$1,000,001 to \$2,500,000 \$2,500,001 to \$5,000,000 \$5,000,001 and up	Percent of Fee 5% 10% 15% 20% 25% 30% 40%	Rehabilitated/restored additional 10% South of I-69 additional 20%
2. Job creation <u>as Full Time Equivalent</u> 1-10 11-25 26-50 51 and up	Percent of Fee 10% 15% 20% 25%	
3. Job wages Average wage > 1.5x minimum wage Average wage > 2x minimum wage Average wage > 3x minimum wage	Percent of Fee 10% 20% 30%	
4. Number of years located in the City 2-10 11-15 16 and up	Percent of Fee 10% 15% 20%	
5. Private Development Objectives (II.A) 4-5 6-7 8+	Percent of Fee 30% 40% 50%	

Note: Total incentive cannot exceed 100%. This schedule applies to annual TIF assistance as a ratio to the project-specific capture.

Current abatements available

PA 198 – 1974 – Industrial Facilities Tax

Eligible industries: manufacturing, research and development, high-tech, and communications centers.
Maximum eligible award – 50% abatement for up to 12 years on new real and personal property investments.

PA 255 – 1978 Reinstated 2009 – Commercial Redevelopment Tax

Eligible industries: obsolete and declining property, zoned for commercial/industrial prior to June 21, 1975
Maximum eligible award – 50% abatement for up to 12 years on replacement or new real property. Zero taxes levied on value of restored real property investment for up to 12 years.

PA 210 – 2005 – Commercial Rehabilitation Tax

Eligible industries: multifamily housing or group of contiguous commercial property 15 years old or older covering at least three acres or located in a downtown district.
Maximum eligible award – Zero taxes levied on value of restored real property investment for up to 10 years.



APPLICATION FOR TAX ABATEMENT

Applicant (Official Company Name) _____

Business Name (If Different) _____

Address of Proposed Project _____

Mailing Address (If Different) _____

Do you own the property? _____ If no, what is your relationship? _____

Type of Abatement/Incentive Requested (if known) _____

Description of proposed project: type of business, product to be manufactured (if applicable), size of proposed structure and proposed activity and/or product. Provide narrative and described materials to support evaluation criteria findings. Attach materials and plans as necessary.

Give the estimated cost of the following components applicable for the proposed project:

Land improvements (excluding land): _____

Building improvements: Size _____ sf \$ _____

Machinery & Equipment: _____

Furniture & Fixtures: _____

Time schedule for start and completion of construction and equipment installation (if applicable):

Building:

Equipment installation (if applicable):

Start Date _____

Start Date _____

Completion Date _____

Completion Date _____

Will project be owned or leased by applicant? _____

Will machinery be owned or leased by applicant? _____

How many employees do you currently employ? Full Time _____ Part Time _____

How many new employees do you estimate after project complete? Full Time _____

Part Time _____

When project is complete, how many will be:

Management/Professional _____ Wage level \$ _____

Skilled _____ Wage level \$ _____

Semi-Skilled _____ Wage level \$ _____

Un-Skilled _____ Wage level \$ _____

Name of Company Officer (contact person) _____

Title _____

Signature _____ Date _____

Phone Number _____

Email Address _____

COMMERCIAL REDEVELOPMENT ACT

Public Act 255 of 1978 encourages the replacement, restoration and new construction of commercial property by abating the property taxes generated from new investment for a period up to 12 years. As defined, commercial property means land improvements whether completed or in the process of construction, the primary purpose and use of which is the operation of a commercial business enterprise, including office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities. Mixed-use developments maybe eligible, but the abatement will only apply to the commercial portion of the property. Land and personal property are not eligible for abatement under this act.

WHO IS ELIGIBLE?

“Local governmental unit” means a city or village.

WHAT IS A REPLACEMENT, NEW AND RESTORED FACILITY?

“Replacement facility” means commercial property to be acquired, constructed, altered, or installed for the purpose of being substituted for obsolete commercial property. Property impaired due to changes in design, construction, technology, or improved production processes, or damage due to fire, natural disaster, or general neglect shall be considered obsolete. All other new commercial property is considered a “new facility.” For purposes of granting the tax abatement, the replacement or new facility must meet all of the following conditions:

1. Is located on property that is zoned to allow for mixed-use, including high-density residential.
2. Is located in a qualified downtown revitalization district as defined in section two of the *Neighborhood Enterprise Zone Act (PA 147 of 1992)*. This requires either being located in a *Downtown Development Authority (PA 197 of 1975)*, a *Principal Shopping District or Business Improvement District (PA 120 of 1961)* or an area that is zoned and primarily used for business as determined by the local government unit.
3. The city or village establishes and implements an expedited local permitting and inspection process in the Commercial Redevelopment District. In addition, by resolution provides for the walkable non-motorized interconnections, including sidewalks and streetscapes throughout the Commercial Redevelopment District.

A “restored facility” means changes to obsolete commercial property as may be required to restore the property to an economically efficient condition. Restoration must result in improvements aggregating to more than 10 percent of the true cash value of the property at commencement of the restoration. Restoration includes major renovation including, but not 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 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.

WHAT IS THE PROCESS?

Before the Commercial Redevelopment Exemption Certificate (i.e., property tax abatement) can be granted for the Facility, the city or village, by resolution of its legislative body, must establish a Commercial Redevelopment District. The establishment of the district may be initiated by the local government unit or by owners of property comprising 75 percent of state equalized value of the property in the proposed district. At the time of the resolution's adoption, property within the district must meet one of the following:

1. Obsolete commercial property or cleared or vacant land and part of an existing developed commercial or industrial zone. The property must have been zoned commercial or industrial before June 21, 1975, and characterized by obsolete commercial property and a decline in commercial activity.
2. Land cleared as a result of fire damage, or cleared as blighted area under *Blighted Area Rehabilitation Act (PA 344 of 1945)*.
3. Cleared or vacant land included in a redevelopment plan adopted by the Downtown Development Authority (PA 197 of 1975) or Principal Shopping District or a Business Improvement District (PA 120 of 1961).

To establish the Commercial Redevelopment District, the city or village must first hold a hearing to establish a Commercial Rehabilitation District and determine in the resolution the district meets the requirements of the act. Once the district is established, the property owners may file an application

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with the local clerk for a Commercial Facilities Exemption Certificate. Applications are available from the Michigan Department of Treasury. Before acting on the application, the city or village shall hold a public hearing on the application and not more than 60 days after receipt of the application either approved or disapproved by resolution. The local clerk shall provide written notification of the application hearing to the assessor of the local unit of government and each taxing jurisdiction that levies ad valorem property taxes. If approved, the application and resolution must be sent to the State Tax Commission for filing purposes.

COMMERCIAL FACILITIES EXEMPTION CERTIFICATE

The property owner must pay a Commercial Facilities Tax rather than the normal property tax. The certificate must be issued for a period of at least one year, but cannot exceed 12 years. Certificates initially issued for less than 12 years may be extended based upon factors placed in writing at the time the certificate is approved, but shall not exceed 12 years.

DETERMINING COMMERCIAL FACILITIES TAX RATE

For a restored facility: The Commercial Facilities Tax freezes the taxable value of the building at its value prior to restoration, therefore exempting the new investment from local taxes for a period not to exceed 12 years. The school operating tax and the State Education Tax (SET) are also frozen. Land and personal property cannot be abated under this act.

For a new or replacement facility: The Commercial Facilities Tax provides a 50 percent reduction in the number of mills levied as ad valorem taxes, excluding only the State Education Tax (SET). Land and personal property cannot be abated under this act.

Within 60 days after the granting of a new Commercial Facilities Exemption Certificate, the state treasurer may exempt 50 percent of the SET mills for a period not to exceed six years. The state treasurer will not grant more than 25 of these SET exclusions each year.

DISCUSSION

In addition to the Commercial Redevelopment Act (PA 255 of 1978), several other property tax abatements are available for the rehabilitation of commercial property in Michigan, including the Commercial Rehabilitation Act (PA 210 of 2005) 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.

CONTACT INFORMATION

For more information on the Commercial Rehabilitation Act, please contact the *CAteam specialist* assigned to your territory. For more general information, contact the MEDC customer contact center at 517.373.9808.

SUPPORTING STATUTES

PA 255 of 1978: Commercial Redevelopment Act

Frequently Asked Questions
Commercial Redevelopment Act
(PA 255 of 1978, 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 255 of 1978, 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 Facilities Exemption?

The Commercial Redevelopment Act (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, provides a tax incentive to commercial business enterprises to enable renovation and expansion of aging facilities and assist in the building of new facilities. A Commercial Redevelopment District (CRD) must be created prior to initiating a project so it is essential that you consult your local assessor before commencing a project. A Commercial Facilities Exemption Certificate entitles the facility to exemption from ad valorem real property taxes for a term of 1-12 years as determined by the local governmental unit. Applications are filed, reviewed, and approved by the local governmental unit. The State Tax Commission (STC) receives a copy of the certificate after issuance by the local governmental unit.

2. Who establishes a Commercial Redevelopment District?

The legislative body of a qualified local governmental unit may establish a Commercial Redevelopment District on its own initiative or upon written request filed by the owner or owners of 75% of the state equalized value of the commercial property located within a proposed district.

3. Who can file an application for a Commercial Facilities Exemption Certificate (CFEC) and with whom is it filed?

The owner or lessee of a commercial facility may file an application for a CFEC with the Clerk of the qualified local governmental unit that established the Commercial Redevelopment District.

4. How do I apply for a Commercial Facilities Exemption Certificate?

Applications can be found on the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions. Completed applications are filed with the Clerk of the local governmental unit and must be accompanied by the following documentation:

- a. A legal description of the property referred to in the application.

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- b. A statement describing the facility and its proposed project that must include all of the following items:
 - 1. General description of the facility (including year built, original use, most recent use, number of stories and square footage);
 - 2. General description of the proposed use of the facility;
 - 3. A description of the general nature and extent of the restoration, replacement or construction to be undertaken;
 - 4. A descriptive list of the fixed building equipment that will be a part of the facility, if applicable; and
 - 5. A time schedule for undertaking and completing the restoration, replacement or construction of the facility.
- c. A statement of the economic advantages expected from the exemption, including the number of jobs retained or created due to the exemption, including expected construction employment.

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

Yes. Work may not begin before the establishment of the district. After work has begun in an established district, the application must be filed with the clerk of the local governmental unit within 45 days. Also, in order to qualify for a State Education Tax (SET) exemption from the State Treasurer, applications and certificates must be completed and received by the State of Michigan no later than October 31st. An application received after October 31st will not be processed until the following tax year.

6. Who determines if a facility qualifies for a Commercial Facilities Exemption Certificate (CFEC)?

The determination of qualification for a CFEC is made by the local governmental unit (LGU) when the application is filed with the clerk. The LGU must determine whether or not an applicant meets the definitions of the Act.

7. Can an application for a Commercial Facilities Exemption Certificate be denied?

Yes. An application can be denied at the local unit level if all of the requirements are not met by the applicant.

8. What is the term of a Commercial Facilities Exemption Certificate (CFEC)?

The CFEC may be issued for a period of at least one (1) year, but not more than twelve (12) years. The total amount of time determined for the certificate, including any extensions, shall not exceed twelve (12) years after the completion of the facility. The certificate shall commence with its effective date and end on the December 30th immediately following the last day of the number of years approved.

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9. What determines the starting date of a Commercial Facilities Exemption Certificate (CFEC)?

The effective date of the CFEC is December 31st immediately following the date of issuance of the certificate by the local governmental unit.

10. How is the tax computed on a Commercial Facilities Exemption Certificate?

Restored Facility: Multiply the total mills levied as ad valorem taxes for that year by all taxing units within which the facility is situated by the taxable value of the real property (excluding land) of the obsolete commercial property for the tax year immediately preceding the effective date of the commercial facilities exemption.

New or Replacement Facility: Multiply 50% of the mills levied as ad valorem taxes for that year by all taxing units other than State Education Tax and multiply 100% of the mills levied as ad valorem taxes for that year for SET by the taxable value of the real property (excluding land) for the current tax year.

11. Are special assessment millage rates impacted by the granting of a Commercial Facilities exemption?

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 Facilities exemption. However, the special assessments would still be applicable to the land on which the Commercial Facilities 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 Facilities exemption pays on the full special assessment millage rate, the same as any “ad valorem” property.

12. What happens when an incomplete application for a Commercial Facilities Exemption Certificate is received?

The applicant will be contacted to submit the required items.

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

The owner or lessee of the property must file an application with the local governmental unit (LGU). The application shall contain or be accompanied by a general description of the facility, a general description of the proposed use of the facility, a detailed description of the nature and extent of the restoration, replacement or construction to be undertaken, a descriptive list of the fixed building equipment that will be a part of the facility, a time schedule for undertaking and completing the restoration, replacement or construction of

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the facility, a statement of the economic advantages expected from the exemption, including the number of jobs to be retained or created as a result of the exemption, including expected construction employment; and additional information as may be required by the LGU. Since individual LGUs may have specific application procedures and requirements, it is recommended that prospective applicants consult with the LGU early in the project planning process.

14. Can a Commercial Facilities Exemption Certificate (CFEC) be transferred?

Yes. A CFEC may be transferred and assigned by the holder of the certificate to a new owner or lessee of the facility if the qualified local governmental unit approves the transfer after application by the new owner(s).

15. Can a Commercial Facilities Exemption Certificate (CFEC) be revoked? If yes, who holds the authority to do so?

Yes. The legislative body of the qualified local governmental unit (LGU) may, by resolution, revoke the CFEC of a facility if it finds that the completion of the restoration, replacement or construction of the facility has not occurred within two years of the effective date of the exemption or a greater time authorized by the LGU for good cause, or that the holder of the exemption certificate has not proceeded in good faith with the replacement, restoration or construction and operation of the facility in a manner consistent with the purpose of the exemption and in the absence of circumstances beyond the control of the holder of the exemption certificate.

16. When does the revocation of a Commercial Facilities Exemption Certificate take effect?

The revocation will take effect December 31st in the year in which the local governmental unit revokes the certificate by resolution.

17. What is the definition of “commercial property?”

MCL 207.653(3) 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 section 8(d) and 14(6) of the general property tax act, 1893 PA 206, MCL 211.8 and 211.14, whether completed or in the process of construction, the primary purpose and use of which is the operation of a commercial business enterprise and shall include office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities but shall not include any of the following:

- a. Land.

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- b. Property of a public utility.
- c. Housing, except that portion of a building containing nonhousing commercial activity.
- d. Financial organizations.”

“Commercial property may be owned or leased. If, in the case of leased property, the lessee is liable for payment of ad valorem property taxes, and furnishes proof of that liability, the lessee is eligible for the exemption. If the lessor is liable for payment of ad valorem property taxes and furnishes proof of that liability, the lessor is eligible for the exemption.”

18. What is the definition of “new facility?”

MCL 207.654(2)(b) defines “new facility” as:

“Beginning July 1, 2008, new commercial property other than a replacement facility to be built in a redevelopment district that meets all of the following:

- (i) Is located on property that is zoned to allow for mixed use that includes high-density residential use.
- (ii) Is located in a qualified downtown revitalization district as defined in section 2 of the neighborhood enterprise zone act, 1992 PA 147, MCL 207.772.
- (iii) The local governmental unit in which the new facility is to be located does all of the following:
 - (A) Establishes and implements an expedited local permitting and inspection process in the commercial redevelopment district.
 - (B) By resolution provides for walkable non-motorized interconnections, including sidewalks and streetscapes throughout the commercial redevelopment district.”

19. What is the definition of “obsolete commercial property?”

MCL 207.654(3) defines “obsolete commercial property” as:

“commercial property the condition of which is impaired due to changes in design, construction, technology, or improved production processes, or damage due to fire, natural disaster, or general neglect.”

20. What is the definition of “replacement facility?”

MCL 207.654(5)(b) defines “replacement facility” as:

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(PA 255 of 1978, as amended)

“Beginning July 1, 2008, commercial property on the same or contiguous land within the district which land is or is to be acquired, constructed, altered, or installed for the purpose of being submitted for obsolete commercial property and any part of the old altered property that remains for use as commercial property after the replacement, that meets all of the following:

- (i) is located on property that is zoned to allow for mixed use that includes high-density residential use.
- (ii) is located in a qualified downtown revitalization district as defined in section 2 of the neighborhood enterprise zone act, 1992 PA 147, MCL 207.772.
- (iii) the local governmental unit in which the replacement facility is to be located does all of the following:
 - (A) establishes and implements an expedited local permitting and inspection process in the commercial redevelopment district.
 - (B) by resolution provides for walkable non-motorized interconnections, including sidewalks and streetscapes throughout the commercial redevelopment district.”

21. What is the definition of “restoration?”

MCL 207.654(6) defines “restoration” as:

“Changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances thereto, to an economically efficient condition. Restoration includes major renovation including but not 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 the commercial property to an economically efficient condition. Restoration does not include improvements aggregating less than 10% of the true cash value of the property at commencement of the restoration of the commercial property.”

22. What is the definition of “restored facility?”

MCL 207.654(7) defines “restored facility” as:

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“A facility that has undergone restoration.”

23. What is the State Treasurer’s State Education Tax (SET) exclusion?

Within sixty (60) days after the granting of a new Commercial Facilities Exemption Certificate, the State Treasurer may exempt 50% of the SET mills for a period not to exceed six (6) years. The State Treasurer will not grant more than 25 of these SET exclusions each year.

24. What is required of the Local Governmental Unit regarding the yearly status reporting of the Commercial Facilities Exemptions to the State Tax Commission?

Not later than October 15th of each year, each qualified local governmental unit granting a Commercial Facilities Exemption shall report to the State Tax Commission on the status of each exemption. The report must include the current value of the property to which the exemption pertains, the value on which the commercial facilities tax is based, and a current estimate of the number of jobs retained or created by the exemption.

25. Where can I obtain copies of previously issued Commercial Redevelopment Act Certificates?

Copies of certificates acted upon by the State Tax Commission 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.

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
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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
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.

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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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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.

INDUSTRIAL PROPERTY TAX ABATEMENT (PA 198 of 1974, as amended)

Industrial property tax abatements provide incentives for eligible businesses to make new investments in Michigan. These abatements encourage Michigan manufacturers to build new plants, expand existing plants, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement.

High-technology activity is defined in the Michigan Economic Growth Authority (MEGA) Act as: advanced computing, advanced materials, biotechnology, electronic device technology, engineering or laboratory testing related to product research and development and advanced vehicles technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment. Abatements under PA 198 can significantly reduce property taxes on new investment for eligible firms.

ESTABLISHING THE DISTRICT

Tax benefits are granted by the legislative body of the city, township or village in which the investment will be located. A public hearing is held and a resolution is adopted to approve the establishment of an Industrial Development District (for a new project) or a Plant Rehabilitation District (for a rehabilitation project). A written request to establish the district must be filed with the clerk of the local unit of government prior to commencement of construction, alteration or installation of equipment.

Once the district is established, the company may apply for an abatement on real and personal property taxes for up to 12 years.

APPLICATION PROCESS

Industrial property tax abatements must be approved at both the local and state levels. The eligible business files an application (Michigan Department of Treasury Form 1012) with the local clerk after the district has been established and no later than six months after commencement of the project. The local unit adopts a

resolution approving the application and determines the length of years for the abatement. After a local public hearing, the application is filed and reviewed by the State Tax Commission (STC) and the Michigan Economic Development CorporationSM (MEDC). The STC then grants final approval applications with required attachments must be received by the STC no later than October 31, in order to receive consideration and action by December 31.

Applications to the STC must include an agreement signed by the local unit and the operator of the facility outlining the conditions of the abatement. This shall include an affidavit that no payment of any kind in excess of the fee allowed under the act has been made or promised in exchange for favorable consideration of exemption application.

Once approved, the firm pays an Industrial Facilities Tax (IFT), instead of property tax, which reflects the abatement savings.

ELIGIBLE FACILITIES

Industrial plants eligible for tax abatement are those that primarily manufacture or process goods or materials by physical or chemical change. Related facilities of Michigan manufacturers such as offices, engineering, research and development, warehousing or parts distribution are also eligible for exemption.

Research and development laboratories, high-tech facilities and large communication centers can qualify throughout Michigan.

Facilities used for warehousing, distribution or logistics purposes can be eligible if they locate in specific border counties. At least 90 percent of the property, excluding the surrounding green space, must be used for a warehouse, distribution, logistics or communication center and occupy a building or structure that is more than 100,000 square feet. Eligible border counties include

Berrien, Branch, Cass, Chippewa, Dickinson, Gogebic, Hillsdale, Iron, Lenawee, Menominee, Monroe, St. Clair, St. Joseph, and Wayne.

The exemption applies to buildings, building improvements, machinery, equipment, furniture and fixtures. Real and personal property are eligible whether owned or leased (provided the lessee is liable for payment of taxes on the property).

The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to construction of a new facility are not exempt. If the project is rehabilitation, the value of any pre-existing obsolete property is exempt from ad valorem property taxes, but will be used as the base for IFT. Similarly, any structures or equipment added after completion of the project are fully taxable.

TAX IMPACT

Real and Non-industrial

Personal Property IFT Treatment

The IFT on a new plant and non-industrial personal property, such as some high-tech personal property, is computed at half the local property tax mileage rate. This amounts to a reduction in property taxes of approximately 50 percent. In addition, the 6-mill SET may be abated 100 percent, 50 percent or not at all. Any SET abatement must be negotiated with the MEDC.

Rehabilitation of Real or

Personal Property IFT Treatment

For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement. This results in a 100 percent exemption from property tax on the value of the improvements.

Speculative Building IFT Treatment

In order for a speculative building to qualify for abatement, the local unit must approve a resolution declaring it is a speculative building prior to identifying occupants. Initial construction and finishing costs would be eligible for a reduction in property taxes of approximately 50 percent.

Commercial Personal Property Tax Relief

Commercial personal property will receive an automatic reduction of 12 mills for local school on their property tax bill.

Extension Under Personal Property Tax Reform

Personal property abated under PA 198 and eligible in the future for the Personal Property Tax (PPT) exemption will automatically continue to be abated under PA 198 until that property may be claimed as exempt from the PPT in the current tax year. Businesses with IFT until the property becomes eligible for the PPT exemption.

For more information, contact the MEDC customer contact center at 517.373.9808 or visit our website at www.michiganbusiness.org.

Frequently Asked Questions (FAQ)
Plant Rehabilitation and Industrial Development Act (Industrial Facilities Exemption)
(PA 198 of 1974, 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 198 of 1974, MCL 207.551 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 an Industrial Facilities Exemption?

The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities and to promote the establishment of high tech facilities. An Industrial Development District (IDD) or a Plant Rehabilitation District (PRD) must be created prior to initiating a project so it is essential that you consult with your local assessor before commencing a project. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. Applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division and the Michigan Economic Development Corporation. The State Tax Commission (STC) is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC.

2. What is the difference between an Industrial Development District and a Plant Rehabilitation District?

The main difference is that an Industrial Development District (IDD) covers only new facility projects and a Plant Rehabilitation District (PRD) is designed primarily for rehabilitation projects and requires a finding that 50% or more of the industrial property within the district is obsolete. (See MCL 207.554(5).) The 50% obsolescence requirement is measured by dividing the State Equalized Value (SEV) of the obsolete property by the SEV of all the properties in the district and multiplying the result by 100.

3. Should a Plant Rehabilitation District (PRD) include only the project that is currently being rehabilitated?

Yes. A PRD should only include the project that is currently being rehabilitated and requires at least 50% of the properties within the district to be obsolete. This allows future applicants the ability to apply for additional replacement facilities.

In the case of a district which was created many years ago and encompassed many separate buildings, several separate Industrial Facilities Exemption Certificates could have been issued over the years. The result is that when the assessor calculates whether

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50% of the property in the district is obsolete, there may be so many new and rehabilitated properties that have returned to the ad valorem roll that the 50% obsolescence requirement cannot be met.

4. How do I identify the exact parameter of a project that will be placed within a Plant Rehabilitation District?

The following procedure has been utilized to assist in identifying the exact parameter of the project that is being replaced and the taxable value to be frozen:

- a. Designate a PRD with a legal description that specifically matches the description of the replacement portion or project to be rehabilitated in the application. The legal description of the district will encompass only the building or portion of the building or machinery and equipment that is being rehabilitated.

If the PRD includes more than the property currently being rehabilitated, an exemption certificate may be granted in the future to additional properties within the district even though the local unit objects to it.

- b. Request that the assessor provide the Taxable Value (TV) of all the real and/or personal property contained within the boundaries of the specifically described PRD. This figure becomes the frozen TV of the facility.

It has been the practice of the State Tax Commission (STC) to request that the SEV/TV of the entire PRD for a rehabilitation project be frozen. Many of the early applications involved projects in large established PRD districts where the SEVs of the entire PRD were later found to include additional buildings/personal property that were contained within the district and frozen but were not being rehabilitated at the time of the application. This was at times found to be detrimental to both the company and the local units. The detriment for companies was that there was no allowance on frozen assessments for the depreciation of buildings and equipment. In order to correct the frozen assessment, the company would have to request revocation of the certificate.

5. Can a request to establish an Industrial Development District or a Plant Rehabilitation District be denied?

Yes. A local governmental unit may approve or deny a request to establish a district.. Once a district is established, a local unit cannot stop an application within the established district from being submitted, acted upon and given the full right to the appeal process.

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6. Is there a procedure for dissolving an Industrial Development District or a Plant Rehabilitation District?

Yes. Guidelines for the dissolving of a district can be found in MCL 207.554(8), which states the following:

“A local governmental unit, by resolution of its legislative body, may terminate a plant rehabilitation district or an industrial development district, if there are no industrial facility exemption certificates in effect in the plant rehabilitation district or the industrial development district on the date of the resolution to terminate.”

7. How do I apply for an Industrial Facilities Exemption Certificate?

An application for *Industrial Facilities Exemption Certificate* (Form 1012) can be found at the Michigan Department of Treasury website:

www.michigan.gov/propertytaxexemptions.

File two copies of the completed application and all attachments with the clerk of the local governmental unit where the facility is located. You must meet the following qualifications of the Act:

- a. The facility must be located within an established Industrial Development or Plant Rehabilitation District;
- b. The applicant is a qualifying business as outlined in MCL 207.552; and
- c. The application for the exemption can be prefiled but must be filed within six months of the commencement of the improvements.

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

Yes. There are several provisions which cause the application process to be time-sensitive.

MCL 207.553(8)(b) provides that a speculative building must be one that is constructed *before* a specific user is identified.

MCL 207.554(3) requires that the request for the establishment of a proposed Plant Rehabilitation District (PRD) or Industrial Development District (IDD) must be made *prior* to the start of construction of the property for which exemption is being sought.

MCL 207.554(4) requires that *before* adopting a resolution establishing a PRD or IDD the legislative body shall give written notice by certified mail to the owners

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of all real property within the proposed PRD or IDD, hold a public hearing on the proposed establishment, and grant a right to appear and be heard regarding same.

MCL 207.554(9) provides that *before* acting on a proposed resolution terminating a PRD or IDD, the local unit shall give at least 14 days written notice by certified mail to owners of all real property within the PRD or IDD and hold a hearing at which those owners have a right to appear and be heard.

MCL 207.555(2) requires that *before* acting upon an application, the legislative body of the local governmental unit shall afford the applicant, the assessor and a representative of the affected taxing units an opportunity for a hearing.

MCL 207.556 requires that no more than 60 days after the clerk's receipt of the application, the legislative body of the local governmental unit shall, by resolution, either approve or disapprove the application. Further, the clerk shall forward the approved application to the commission within 60 days of that approval or before October 31 of that year, whichever is first. In the case of a disapproval of the application, the applicant has 10 days after the date of the disapproval to appeal to the commission.

MCL 207.559(2) requires that the start of construction of the facility cannot occur more than 6 months before the filing of the application for the Industrial Facilities Exemption Certificate with the clerk of the local unit of government.

State Tax Commission Rule No. 57 states that a complete application (with all required attachments) received by the State Tax Commission on or before October 31 will be acted on by the Commission before December 31 of that year. Applications received after October 31 will be processed contingent upon staff availability.

9. Can an application for an Industrial Facilities exemption Certificate be denied?

Yes. An application can be denied by the local governmental unit or by the State Tax Commission if all the requirements are not met by the applicant.

10. Can a decision of the State Tax Commission regarding an industrial facilities Exemption Certificate be appealed?

Yes. MCL 207.570 states as follows:

“A party aggrieved by the issuance or refusal to issue, revocation, transfer, or modification of an industrial facilities exemption certificate may appeal from the finding and order of the commission in the manner and form and within the time provided by Act No. 306 of the Public Acts of 1969, as amended.”

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PA 306 of 1969, also known as the Administrative Procedures Act (APA) provides for an appeal to the circuit court within 60 days of the date the STC denies the application for an IFEC. (See MCL 24.301 through MCL 24.306.)

11. Is it possible for an Industrial Facilities Exemption Certificate to remain in effect for more than 12 years?

Yes. The local unit determines the number of years granted for an exemption request. The number of years can be anywhere from 1 to 12 years with the exception discussed below for the period of construction. If the local unit decides to grant exactly 12 years, it should state this in the resolution, as discussed below in Example #1. If the local unit chooses to grant the application for a period of time greater than 12 years, (*i.e.*, 1-2 years as partially complete and 12 years as fully completed), the local unit should use the language discussed in Example #2 below to accomplish this.

Example #1: If the resolution states “12 years,” the ending date of the certificate will be 12 years added to the tax day on which the exemption becomes effective.

Example #2: If the resolution states “12 years after completion,” the ending date of the certificate will be 12 years added to up to 2 years of construction time. This would allow up to a 14-year exemption period. This could be further extended if an extension of time is granted as provided by STC Rule No. 53.

12. What determines the starting date of an Industrial Facilities Exemption Certificate (IFEC)?

The starting date of the term of an IFEC is December 31st of the year the certificate is issued by the State Tax Commission (STC). [Example: a certificate issued on November 12, 2018 would have a start date of December 31, 2018.]

13. Why is a certificate sometimes issued by the State Tax Commission (STC) for a longer period of time than what was approved by the local unit?

There may be a variance due to the local unit’s resolution stating the number of years as “after completion.” The resolution may be corrected any time prior to being submitted to the STC for issuance of the certificate. After issuance, no corrections are allowed except in the case of an extension of time to complete, as provided by STC Rule No. 53.

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14. Can the ending date of an Industrial Facilities Exemption Certificate be changed after it is issued by the State Tax Commission (STC)?

Yes. The statute calls for the certificate to be issued by the local unit for the number of years it designates. The ending date is determined by the language in the resolution. Once the certificate is issued, the ending date can only be changed when one of the following applies:

- a. STC Rule No. 53, which provides for an extension of time to complete the project.
- b. MCL 207.557a which applies to facilities that exceed \$150,000,000 of State Equalized Value (SEV).
- c. MCL 207.566a which applies to certificates issued after December 31, 1995, for which the exemption period is shorter than the maximum allowed under MCL 207.566.

15. Can the duration of an Industrial Facilities Exemption Certificate (IFEC) be extended?

An IFEC can be approved for a maximum of 12 years. Local units may grant less than the 12-year maximum term when granting exemptions based on criteria they have adopted. (See MCL 207.566a.) Some local units allow extensions beyond the original term granted and some do not. A local unit may state in its original resolution the number of years being granted and include an extension provision which contains the criteria to be used to determine whether someone qualifies for an extension. This could be done at the start of the exemption process.

16. How is the tax computed for a new facility?

Real Property

MCL 207.564(3) states that the tax computation for new facility real property is determined by multiplying the Taxable Value (TV) of the facility by $\frac{1}{2}$ of the total mills other than the State Education Tax (SET) mills levied as ad valorem taxes for that year by all of the taxing units where the property is located plus the total SET mills, unless receiving a 100% or 50% abatement from the State Treasurer under MCL 207.564a.

Personal Property Sited on Real Property Classified as Industrial Real Property

MCL 207.564(4) states that the tax computation for new facility personal property sited on real property classified as industrial real property is determined by multiplying the TV of the facility by $\frac{1}{2}$ of the total mills other than the local school district (LSD) Operating mills and SET mills levied as ad valorem tax for that year by all of the taxing units where the property is located, plus $\frac{1}{2}$ of the Hold-Harmless mills.

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Personal Property Sited on Real Property Classified as Commercial Real Property

MCL 207.564(4) states that the tax computation for new facility personal property sited on real property classified as commercial real property is determined by multiplying the TV of the facility by $\frac{1}{2}$ of the total mills (including SET mills) other than the LSD Operating mills levied as ad valorem tax for that year by all of the taxing units where the property is located, plus $\frac{1}{2}$ of the sum of LSD Operating mills minus 12 mills, plus $\frac{1}{2}$ of the Hold-Harmless mills.

Personal Property Sited on Real Property Not Classified as Industrial or Commercial Real Property

MCL 207.564(3) states that the tax computation for new facility personal property sited on real property not classified as industrial or commercial real property is determined by multiplying the TV of the facility by $\frac{1}{2}$ of the total mills other than the SET mills levied as ad valorem tax for that year by all of the taxing units where the property is located plus the total SET mills unless receiving a 100% or 50% abatement from the State Treasurer under MCL 207.564a.

A parcel of property holding a new Industrial Facilities Exemption Certificate (IFEC) will have two assessments: the land will be addressed on the regular (ad valorem) assessment roll that the assessor has turned over to the March Board of Review and the building, land improvements and personal property (pertaining to the same certificate) will have an assessment on the Industrial Facility Tax tax roll.

MCL 207.553(11) requires the assessor to calculate a Capped Value and a Taxable Value for the building and land improvements of a parcel of real property holding a new IFEC.

Taxes on a property holding a new certificate shall be levied against the TV of the property, not the SEV. The TV of real property which has a new certificate is calculated the same way that TV is calculated for the non-IFT, ad valorem assessment roll.

The property's land assessment on the ad valorem roll may be adjusted by the March Board of Review. The IFT tax roll assessment of a new IFEC may also be adjusted by the March Board of Review.

17. How is the tax computed for a “replacement facility”?

MCL 207.564(1) states that the tax computation for a replacement facility is determined by multiplying the total mills levied as ad valorem taxes by the Taxable Value (TV) of the real and/or personal component of the obsolete industrial property for the tax year immediately preceding the effective date of the certificate.

A parcel of property holding a “rehabilitation” Industrial Facilities Exemption Certificate will have two assessments. The land will be assessed on the regular (ad valorem) assessment roll that the assessor has turned over to the March Board of Review. The building, land improvements and personal property (pertaining to the same certificate)

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will have an assessment on the Industrial Facility Tax (IFT) tax roll. The taxes on properties holding a “rehabilitation” or “replacement” certificate shall be levied against TV.

The TV of a property on the IFT tax roll with a “rehabilitation” or “replacement” certificate is the amount of the TV of the real and/or personal property for the tax year immediately preceding the effective date of the certificate. That amount is frozen until the exemption certificate expires.

The TV of a property on the IFT tax roll with a “rehabilitation” or “replacement” certificate which began PRIOR to 1995 will still be the same as the frozen SEV for the property until the exemption certificate expires. The TV of a property covered by a rehabilitation or replacement certificate which began in 1995 or AFTER will be the same as the frozen TV for the property until the exemption certificate expires.

The property’s land assessment on the ad valorem roll may be adjusted by the March Board of Review. The IFT tax roll assessment of a property with a rehabilitation or replacement certificate cannot have its assessment altered by the Board of Review during the term of the certificate.

18. Can a 1% Administration Fee be added to an Industrial Facility Tax (IFT) tax roll?

Yes. Per MCL 207.561(11)(1), the 1% Administration Fee can be added to an IFT tax roll.

19. Why are the dollar amounts on some Industrial Facilities Exemption Certificates (IFEC) different from what was applied for?

If the dollar amounts on a certificate are different from what was applied for, it may have been changed by Property Services Division (PSD) staff due to one of the following reasons:

- a. The application was filed more than 6 months after the start of construction of real property or the start of installation of personal property. See also Question #7.
- b. Some of the equipment was existing equipment which is ineligible for exemption as new property. See also Question #20.
- c. Used equipment was purchased from another manufacturing company, not from a broker of used equipment. See also Question #20.
- d. The application involves leased property, but the property tax liability is not held by the applicant. In other words, the applicant is not responsible for direct payment of taxes to the local unit. See MCL 207.552(6).

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- e. The real property investment cost listed within box 6a of the application includes the purchase price of the land. See also Question #33.

20. What happens when an incomplete application for an Industrial Facilities Exemption Certificate (IFEC) is received?

The applicant will be contacted by letter regarding the incomplete application and the applicant must submit a completed application with the required documents within 30 days. If the required documents are not submitted within 30 days, the application may be dismissed as inactive.

21. What types of equipment qualify as new industrial property as defined in MCL 207.552(4)?

The State Tax Commission (STC) has interpreted the term “new industrial property” to mean new to the tax base in Michigan. Following this interpretation, the following would be considered new industrial property:

- a. New equipment purchased from an equipment manufacturer.
- b. Used equipment never before located in Michigan.
- c. Used equipment purchased from a broker of used equipment with the rationale that because the prior owner is a broker, the equipment has lost its status as existing equipment in Michigan as it has become inventory.

The following would not qualify as new industrial property:

- a. Existing equipment already in the possession of the applicant.
- b. Existing equipment in the possession of another Michigan company.

22. Can an application for an Industrial Facilities Exemption Certificate (IFEC) include equipment/devices which are also going to be submitted for an Air or Water Pollution Control Exemption?

Yes. It is recommended that all new equipment and machinery be included in the IFEC application so that the equipment and machinery meet the timeline requirements of PA 198 of 1974, as amended. The same equipment can then also be submitted for an Air or Water Pollution Control Exemption. If all of the property does not qualify as exempt Air or Water Pollution Control equipment, the remainder may then qualify for the IFEC exemption. Refer to the Air or Water Pollution Control Exemption FAQs for more information.

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23. Can a real property replacement facility include more floor space than the original obsolete facility?

Yes. MCL 207.552(3) states that a replacement facility can consist of either replacement or restoration. MCL 207.553(5) defines “replacement” as:

“...the complete or partial demolition of obsolete industrial property and the complete or partial reconstruction or installation of new property of similar utility.”

“Replacement” usually involves the construction of a new building or a part of a building. “Restoration” is defined in MCL 207.553(6) as:

“... changes to obsolete industrial property other than replacement as may be required to restore the property ... to an economically efficient functional condition.”

When replacement includes additional floor space, it can still be a replacement facility, provided that the building does not exceed the size of the original building by more than 10%. If the replacement building exceeds the size of the original by more than 10%, the additional space must be treated as a new facility. The tax on a new facility is calculated differently from the tax on a replacement facility.¹ When restoration includes more floor space than the original building, ALL of the additional floor space is treated as a new facility.

24. Why are some projects approved by the State Tax Commission (STC) as new facilities even though they were submitted as rehabilitation facilities?

If an application was submitted as a rehabilitation facility project but was approved as a new facility, it may be due to one of the following reasons:

- a. The description of the investment undertaken did not speak to restoration and/or replacement of a functionally obsolete facility involving major improvements such as roof, windows, plumbing, heating, code compliances, etc.
- b. The Plant Rehabilitation District (PRD) in which the project is located no longer qualifies as a PRD because at least 50% of the properties in the district are no longer obsolete. Therefore, only new facilities can be located within the district.
- c. The district established was an Industrial Development District (IDD) in which only new projects are allowed, not a PRD.

¹ See MCL 207.564 regarding the calculation of the industrial facility tax for new and replacement facilities.

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- d. The local unit's resolution approving the request approved a new facility project, not a rehabilitation project.

25. Can leased equipment qualify for an Industrial Facilities Exemption Certificate?

Yes, under the following conditions:

- 1. The length of the lease must be as long as or longer than the length of the certificate to be granted.
- 2. The lessee must have the tax liability for the length of the certificate to be granted. (Any indication that the taxes are being paid "as additional rent" is not acceptable.)

26. Can an Industrial Facilities Exemption Certificate (IFEC) be transferred to a new owner?

Yes. MCL 207.571 states as follows:

"An industrial facilities exemption certificate may be transferred and assigned by the holder of the industrial facilities exemption certificate to a new owner or lessee of the facility but only with the approval of the local governmental unit and the commission after application by the new owner or lessee, and notice and hearing in the same manner as provided under section 5 for the application for a certificate."

Once the application for transfer has been presented to the local unit, they must review the application and issue a decision after a review of the prerequisites and qualifications contained in MCL 207.559. If the local unit denies the application, the applicant may appeal to the State Tax Commission (STC), pursuant to MCL 207.556. If the local unit approves the application, the STC must make a decision pursuant to MCL 207.557. If the local unit disapproves the application and the taxpayer files an appeal with the STC within 10 days, the STC shall review the facility to determine if it meets the qualifications in MCL 207.559. If the STC denies the approval, the applicant may appeal pursuant to the Administrative Procedures Act (APA).

The STC has allowed a shortened procedure for transfers when they involve a name change only. This is the case when the ownership remains exactly the same and the activity at the facility remains the same. The only change is in the name of the company. Certain mergers and restructuring may also qualify for this shortened procedure. Please contact the Tax Exemption Section at (517) 373-2408 with questions regarding transfers involving a name change, mergers, and restructurings.

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- 27. Company “A” has an Industrial Facilities Exemption Certificate that was issued a year ago. They have purchased new equipment that qualified for exemption. Is it more advantageous to add this new equipment to the existing Exemption Certificate or apply for a new exemption certificate for this equipment?**

As long as the new equipment is purchased within the two-year post construction period from the effective date of the original issuance of the certificate, the equipment may be added by amending the existing certificate. If the new equipment purchase is closer to the end of the two-year post construction period from the effective date of the original issuance of the certificate, it may be more advantageous to apply for a new certificate for this equipment thereby attaining a greater number of years of exemption than could be gained by an amendment.

- 28. Is there a limit on the amount of time that an applicant can take to complete a project?**

Yes. MCL 207.565 states that a certificate can be revoked if the project has not been completed in a two-year time period from the issuance of the certificate. STC Rule No. 53 allows for a one-year extension of time to complete a project. If a resolution is received by the State Tax Commission (STC) and it does not specifically state that the local unit is granting a three-year construction completion period, the assumption is made that the local unit is only granting a two-year construction completion period. Companies may obtain a third year to complete construction through a resolution by the local governmental unit granting a one-year extension of time as outlined in STC Rule No. 53. Upon receipt of a request for an extension, the local unit may: (a) deny the request; (b) approve the request with no change in the ending date of the certificate issued; or (c) approve the extension of time for the completion of the project and a revised ending date on the certificate. Depending upon the outcome at the local level, the request for an extension of time for the completion of a project shall be filed with the commission by the certificate holder and shall be accompanied by a resolution of approval adopted by the local governmental unit. Please see MCL 207.557a for the construction period of a facility whose cost will exceed \$150,000,000 of state equalized value.

- 29. What happens when the cost or the size of the project turns out to be greater than what was stated on the original application?**

The Property Services Division (PSD) staff distinguishes between an increase in costs versus an amendment to the project. For example, if the original application listed 10 computers at a total cost of \$20,000, but it turns out that the 10 computers cost a total of \$25,000 that is an increase in costs. However, if the original application listed 10 computers at a total cost of \$20,000 but it turn out that 20 computers were purchased at a total cost of \$40,000, that is determined to be an amendment.

If there is an increase in costs of the project that exceeds the original approved amount by 10% or less, it is not necessary for the local unit to approve the new amount. If the

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increase is greater than 10%, the procedures in STC Rule No. 54 must be followed. STC Rule No. 54 states that the certificate holder shall request that the local governmental unit approve the revised cost if greater than 10% over the original approved amount. If the local unit approves the revised cost, the holder of the certificate shall request that the commission issue a revised certificate. The request shall be accompanied by a copy of the resolution of approval adopted by the local governmental unit.

When additional real and/or personal property components are added, an amendment to the project has occurred, and regardless of the dollar amount of the additional property, it must be approved at the local level and ultimately by the STC.

30. Can an Industrial Facilities Exemption Certificate (IFEC) be revoked? If yes, who holds the authority to do so?

Yes. MCL 207.565 provides for the revocation of an IFEC. MCL 207.565(1) addresses requests for revocations initiated by the holder of the certificate. MCL 207.565(2) addresses requests for revocation initiated by the local governmental unit and includes specific reasons why a certificate may be revoked. In either case, only the State Tax Commission (STC) has the authority to revoke a certificate.

A party aggrieved by a revocation by the STC may appeal the revocation under the provisions of the Administrative Procedures Act (APA). The APA provides that a request for a rehearing of an STC decision should be filed, in writing, within 60 days from the date the STC mailed the notice of revocation.

In a related matter, MCL 207.563(2) provides for automatic termination of an IFEC when the Industrial Facility Tax on real property has not been paid. Please see MCL 207.563 for the procedure to be followed.

31. When does the revocation of an Industrial Facilities Exemption Certificate (IFEC) take effect?

The revocation of an IFEC is effective the December 31st of the year in which the State Tax Commission (STC) revoked the certificate.

32. If a company announces that it will cease operations in the coming year, will the State Tax Commission approve the revocation of that company's Industrial Facilities Exemption Certificate (IFEC) for the tax day prior to the actual cessation of operations?

No. It has been the State Tax Commission's past practice, that an IFEC could not be revoked as of December 31, 2018 even though it was announced during 2018 that operations would cease as of February of 2019.

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33. Is there a limit to the application fee that may be charged by a local unit of government for the cost of processing the application for an Industrial Facilities Exemption Certificate (IFEC)?

Yes. MCL 207.555(3) specifically limits the amount of an exemption certificate application fee that may be charged by a unit of local government to the lesser of the actual cost of processing the application or 2% of total property taxes abated during the term that the exemption certificate is in effect and specifically prohibits local units of government from charging applicants any other fee.

Local units may not require, as a condition precedent to approving an IFEC application, that applicants make or promise to make payments to the local unit. Whether referred to as fees, payments in lieu of taxes, donations, or another name, such payments are contrary to the legislative intent of PA 198 of 1974. [See STC Bulletin 3 of 1998, at www.michigan.gov/propertytaxexemptions].

34. What is the definition of “Industrial Property”?

MCL 207.552(6) defines “Industrial Property” as:

land improvements, buildings, structures, and other real property and machinery, equipment, furniture, and fixtures or any part or accessory whether completed or in the process of construction comprising an integrated whole, the primary purpose and use of which is:

- a. the engaging in a high-technology activity;
- b. operation of a strategic response center;
- c. operation of a motorsports entertainment complex;
- d. operation of a logistical optimization center;
- e. operation of a qualified commercial activity;
- f. operation of a major distribution or logistics facility;
- g. the manufacture of goods or materials;
- h. creation of synthesis of biodiesel fuel;

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- i. the processing of goods and materials by physical or chemical change²;
- j. property acquired, constructed, altered, or installed due to the passage of Proposal A in 1976;
- k. the operation of a hydroelectric dam by a private company other than a public utility;
- l. agricultural processing facilities;
- m. facilities related to a manufacturing operation under the same ownership, including but not limited to, office, engineering, research and development, warehousing, or parts distribution facilities;
- n. research and development laboratories of companies other than those companies that manufacture the products developed from their research activities;
- o. research development laboratories of a manufacturing company that are related to the products of the company;
- p. an electric generating plant that is not owned by a local unit of government, including, but not limited to, an electric generating plant fueled by biomass, if the application is approved by the legislative body of a local governmental unit between June 30, 1999 and December 31, 2007;
- q. convention and trade centers in which construction begins not later than December 31, 2010 and is over 250,000 square feet in size or, if located in a county with a population of more than 750,000 and less than 1,100,000 is over 100,000 square feet in size or, if located in a county with a population of more than 26,000 and less than 28,000, is over 30,000 square feet in size;
- r. a federal reserve bank operating under 12 USC 341, located in a city with a population of 750,000 or more.

² “Manufacture of goods or materials” or “processing of goods or materials” means any type of operation that would be conducted by any entity included in the classifications provided by Section 31-33 – Manufacturing, of the North American Industry Classification System – United States (1997), published by the Office of Management and Budget, regardless of whether the entity conducting that operation is included in that manual.

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Note: Industrial property may be owned or leased. However, in the case of leased property, the lessee must be liable for payment of ad valorem property taxes and shall furnish proof of the liability.

Industrial property does not include any of the following:

- a. land;
- b. property of a public utility other than an electric generating plant that is not owned by a local unit of government for which an application was approved by the legislative body of a local governmental unit between June 30, 1999 and December 31, 2007;
or
- c. inventory.

35. What is the definition of “high-technology activity”?

Section 3 of the Michigan economic growth authority act, 1995 PA 24, MCL 207.803 defines “high-technology” as:

- i. Advanced computing, which is any technology used in the design and development of any of the following:
 1. Computer hardware and software.
 2. Data communications.
 3. Information technologies.
- ii. Advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology.
- iii. Biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes. Biotechnology does not include human cloning as defined in section 16274 of the public health code, 1978 PA 368, MCL 333.16274, or stem cell research with embryonic tissue.
- iv. Electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices.

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- v. Engineering or laboratory testing related to the development of a product.
- vi. Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.
- vii. Medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.
- viii. Product research and development.
- ix. Advanced vehicles technology that is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. For purposes of this act:
 - 1. "Electric vehicle" means a road vehicle that draws propulsion energy only from an on-board source of electrical energy.
 - 2. "Hybrid vehicle" means a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

36. What is the definition of “obsolescence”?

The assessor must make a recommendation to the local governing unit that 50% or more of the property to be contained in a Plant Rehabilitation District (PRD) is obsolete. “Obsolete industrial property” is defined in MCL 207.552(7) as:

“... industrial property the condition of which is substantially less than an economically efficient functional condition.”

“Economically efficient functional condition” is further defined in MCL 207.552(8) as:

“... a state or condition of property the desirability and usefulness of which is not impaired due to changes in design, construction, technology, or improved production processes, or from external influencing factors which make the property less desirable and valuable for continued use.”

The following are examples of the restoration of obsolete industrial property from MCL 207.553(6):

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Restoration includes major renovation including but not necessarily limited to the improvement of floor loads, correction of deficient or excessive height, new or improved 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, improvements or modifications of machinery and equipment to improve efficiency, decrease operating costs, or to increase productive capacity, and other physical changes as may be required to restore the industrial property to an economically efficient functional condition, and shall include land and building improvements and other tangible personal property incident to the improvements.

When the planned improvements are less than 10% of the true cash value of the industrial property, the improvements are considered delayed maintenance and not considered restoration. (MCL 207.553(6).)

37. What are some of the special provisions that apply to speculative buildings?

MCL 207.553(8) defines a “speculative building” as:

“Speculative Building means a new building that meets all of the following criteria and the machinery, equipment, furniture, and fixtures located in the new building:

- a. the building is owned by or approved as a speculative building by resolution of a local governmental unit in which the building is located or the building is owned by a development organization and located in the district of the development organization.
- b. the building is constructed for the purpose of providing a manufacturing facility before the identification of a specific user of that building.
- c. the building does not qualify as a replacement facility.”

Subsection 8(b) requires that a speculative building be constructed before a specific user is identified. This law does not require that a building be approved by the local governmental unit before identification of the specific user.

The following are additional requirements specific to speculative buildings:

- a. that the speculative building was constructed less than 9 years before the filing of the exemption certificate.

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- b. that the speculative building has not been occupied since the completion of construction.

Important note: It is sometimes advantageous to divide a speculative building into several smaller units rather than having the entire building as one unit. (*e.g.*, if a 50,000 square foot building is designed to be occupied by 5 separate users, but it is only approved as a single speculative building, after the first user takes occupancy, the building may no longer qualify as speculative for future occupants because it may no longer qualify under paragraph b, above.)

38. Where can I find information regarding the Industrial Facilities Exemption Certificate (IFEC) application process?

Application instructions, sample documents, and a checklist regarding the IFEC application process can be found on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions.

39. Where can I obtain copies of previously issued Industrial Facilities Exemption Certificates?

Copies of certificates acted upon by the State Tax Commission 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.

40. Where can I check on the status of an Industrial Facilities Exemption application?

The status of an application is available through a search tool on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions . Choose the Industrial Facilities Exemption (IFE) program. Then select the Industrial Facilities Application/Certificate Search link.