



Commercial Rehabilitation Tax Abatement (PA 210)

Application Guidelines

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Section A – Commercial Rehabilitation Tax Abatement (PA 210) Application Guidelines

Introduction

The intent of this document is to outline the policies and procedures adopted by the City of Ypsilanti regarding the abatement of taxes for property owners that rehabilitate certain commercial facilities within designated districts. The City of Ypsilanti's urban environment, heritage and culture present the community with a unique opportunity to encourage and support sustainable economic development. The City is committed to working closely with entrepreneurs, business owners and developers to provide a business-friendly climate while meeting the needs of the Ypsilanti community.

Commercial Rehabilitation Facts

Similar to the OPRA tax exemption, the City of Ypsilanti can provide property tax abatement for a period of 1 to 10 years for owners of certain rehabilitated commercial facilities in designated districts. The key distinctions between the Commercial Rehabilitation Tax Credit and the OPRA include OPRA's need for an obsolete or blighted designation, size and/or area requirements of the Commercial Rehabilitation District and the potential for the Obsolete Property Exemption Certificate to qualify for exemption for one-half of the school millage.

A Commercial Rehabilitation Tax Exemption Certificate freezes the property at its pre-rehabilitated value, effectively allowing the rehabilitation to be property tax free, with the exception of school operating taxes. The property owner will receive a yearly commercial rehabilitation tax rather than the normal property tax. The cost of rehabilitation must be equal to 10 percent or more of the true cash value of the property at the beginning of the project.

Land and most personal property are not eligible for a tax reduction.

The City of Ypsilanti, in an ongoing spirit of cooperation and collaboration, expects all applicants to be current in their property tax payments, hold no liens against their property, have no outstanding fines, and be in compliance with all city codes.

The period of time for Commercial Rehabilitation Certificates is determined by City Council. The length of the exemption may be extended by the local government unit so long as the original certificate states the conditions upon which an extension is valid, those conditions are met, and the certificate expires within 10 years of project completion.

Ypsilanti City Council retains discretionary power for final determination and is not bound to using the information included in this packet when acting on a request for a Commercial Rehab Tax Abatement.

Eligible facilities

The district has to be greater than three acres in size, unless located inside a city designated downtown or business district. Counties may choose whether or not to participate in the tax exemption.

Qualifying buildings must be a multifamily or commercial building that is at least 15 years old. This description includes a building or group of contiguous buildings of commercial property that has been allocated New Market Tax Credits.

“Commercial properties” include commercial business enterprises and related property under the same ownership, multifamily housing consisting of 5 or more units, or a building or group of contiguous buildings previously used for industrial purposes that will be converted for a commercial business enterprise. Public utilities, stadiums and casinos are not eligible.

Revocation

If at any time during the abatement period the terms and conditions are violated, the exemption may be revoked. The abatement holder is required to keep all property taxes current to receive tax abatement. This shall include real and personal property assessed to the abatement holder at all locations within the City of Ypsilanti.

Questions?

Contact the Planning and Development Department at (734) 483-9646 with further questions regarding Commercial Rehabilitation Tax Exemptions.

Section B – Criteria for Granting Commercial Rehabilitation Tax Abatements

Priority will be given to applicants whose proposed projects can meet or exceed the City's criteria for granting tax abatements. Supporting evidence for any application must demonstrate that:

- 1) no outstanding back taxes, fines, or liens are owed to the city
- 2) upon completion of the project, a certificate of occupancy has been obtained
- 3) the applicant will offer employees a living wage (currently \$10/ hour without health benefits and \$8.50/hour with health benefits) who work on the improvement or expansion of the facility, and to other employees of the applicant working in the workplace or location receiving the abatement
- 4) the applicant, contactors, sub-contractors and tenants will make a concerted effort to employ primarily residents of the City of Ypsilanti
- 5) the project will use context sensitive design in building development with special attention to storm water management and energy efficient design
- 6) preferably, new projects represent new economy businesses, green technologies, and/or innovative business models.
- 7) the implementation of a project has not begun prior to tax abatement approval
- 8) the applicant is an equal opportunity employer
- 9) the project is in compliance with Historic District Commission guidelines, if applicable
- 10) evidence that the tax abatement is required for the success of the project in the form of a written statement addressed to City Council as well as a pro forma submitted with application materials

Applications will further be considered in light of the following general economic development/redevelopment goals of the City of Ypsilanti:

1. Promoting the growth and expansion of existing businesses and the growth and development of local entrepreneurs.
2. Encouraging the adaptive reuse of historic and underutilized buildings including properties that are currently tax exempt, and supporting Brownfield cleanup and redevelopment.

3. Attracting businesses that diversify the city's commercial and industrial base and contribute to the economic and social well-being of the community.
4. Supporting and attracting businesses that further develop the local workforce by increasing the personal income of residents, diversifying the job base, and creating new jobs.
5. Promoting energy efficiency in building renovations and rebuilds.
6. Continuously improving the quality of life in Ypsilanti.

Any portion of this policy or the procedures outlined may be waived by the City Council if it is in the best interest of the City and in accordance with State law. The City of Ypsilanti also reserves the right to consider additional goals and criteria that are consistent with the interests of the City.

Section C – Commercial Rehabilitation Application Process

- 1) A written request is made from the applicant to the city regarding the creation of a Commercial Rehabilitation District
- 2) Creation of Commercial Rehabilitation District by the City
 - Notice is given by certified mail to property owners within the proposed district
 - A public hearing is held regarding the proposed district
 - A resolution to create the Commercial Rehabilitation District is adopted by City Council
- 3) After the hearing is held, a copy of the resolution creating the district is sent to Washtenaw County for approval. The County may reject the establishment of a district within 28 days of City Council's approval. This may be done by a County Executive or a Board of Commissioners.
- 4) Once a District is established, the application for certificate of exemption may be filed by the property owner. Applications are available from the Michigan Department of Treasury. The application and all supporting materials are submitted to the Ypsilanti City Clerk's Office. The applicant must demonstrate through application materials that the project would not be able to occur without receiving the Commercial Rehabilitation Tax Abatement.
- 5) The Clerk's office notifies the Assessor and all taxing bodies.
- 6) City Council has 60 days to take action on the application. If disapproved, a copy of the decision is sent to the applicant and the City Assessor via certified mail. If approved, the application and the materials are sent to the State Tax Commission, where they are acted upon within 60 days (either approved or disapproved).

Section D – Commercial Rehabilitation Tax Exemption Applicant Checklist of Documents and

Four copies of each of the following materials should be submitted to the City:

- a statement of interest regarding the creation of a Commercial Rehabilitation District. Please include a description of the proposed district
- complete Commercial Rehabilitation application submitted to City Clerk’s Office with all supporting materials
- application fee paid
- a detailed statement regarding the need for receiving Commercial Rehabilitation certificates to complete the proposed project. The statement should include a detailed description of the proposed project and should address the project in relation to the City criteria for granting Commercial Rehabilitation Tax Abatements and economic development goals (found in this packet)
- a pro forma
- a complete list of renovation costs

It is the burden of the applicant to provide sufficient materials to support an application. The City of Ypsilanti holds no responsibility in the submission of an application or supporting materials. Incomplete applications will not be considered.

Date Stamp

City Clerk sign when complete