

**CITY OF GRAND HAVEN
GRAND HAVEN, MICHIGAN
SPECIAL CITY COUNCIL WORKSESSION
WEDNESDAY, SEPTEMBER 7, 2022**

The Special Work Session of the Grand Haven City Council was called to order at 7:00 p.m. by Mayor Catherine M. McNally in the Council Chambers of City Hall, 519 Washington Ave.

Present: Council Members Mike Fritz, Karen Lowe, Kevin McLaughlin (participating remotely), Mayor Pro-Tem Cummins and Mayor Catherine McNally.

Absent: None.

Others Present: Interim City Manager Ashley Latsch, City Clerk Maria Boersma, MSDDA Director Jeremy Swiftney, and Sergeant Andy Cannon.

APPROVAL OF AGENDA

Mayor Pro-tem **Cummins** moved, seconded by Council Member **Fritz** to approve the agenda.

Roll Call Vote:

This motion passed unanimously.

DISCUSSION ITEMS

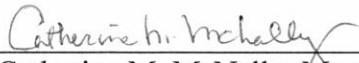
Commercial and Obsolete Property Rehabilitation Districts – Elizabeth Butler, Director of Economic Development Strategic Directions, Chamber of Commerce. Attachment A

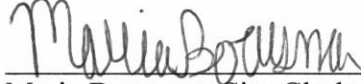
Elizabeth Butler, with the assistance of Joy Gaasch (President, Chamber of Commerce), gave a presentation on the process for creating an Obsolete Property Rehabilitation District at 300 N 7th Street. This was the location of the old Rock 'n' Road, but was recently sold to Peter Wilson. Mr. Wilson presented preliminary plans to renovate the current building into a mixed use property. The redevelopment would likely be contingent on the creation of the district.

Elizabeth Butler also discussed the creation of a Commercial Rehabilitation District that would cover a large territory of the East side of Town. The exact proposed boundaries would still need to be created.

ADJOURNMENT

After hearing no further business, Mayor McNally adjourned the meeting at 7:28 p.m.


Catherine M. McNally, Mayor


Maria Boersma, City Clerk

Attachment A

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

OBSELETE PROPERTY REHABILITATION ACT (OPRA)

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. A new exemption will not be granted after December 31, 2026, but an exemption then in effect will continue until the certificate expires. The tax incentive is designed to assist in the redevelopment of older buildings in which a facility is contaminated, blighted or functionally obsolete. The goal is to rehabilitate older buildings into vibrant commercial and mixed-use projects.

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

WHO IS ELIGIBLE?

OPRA tax abatements may be given for those eligible projects that take place on an obsolete property and result in a commercial or mixed-use building project located in only the qualified local units of government.

HOW DOES IT WORK?

A community essentially freezes the existing taxable value on a designated facility for up to 12 years. Additionally, the state treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed six years for 25 applications annually for rehabilitated facilities. By freezing the taxable value, it provides an incentive for the developer to make significant improvements to a building without increasing the property taxes on the building.

WHAT IS THE PROCESS?

Local government process to designate an Obsolete Property Rehabilitation District (OPRD)

1. The governing body of a qualified local unit of government, by resolution, may designate one or more OPRDs within that local governmental unit. The OPRD may consist of one or more parcels or tracts of land that is characterized by obsolete commercial or obsolete commercial housing property.
2. The qualified local unit of government may establish an OPRD on its own initiative or upon a written request by at least 50 percent of the owners of the property within the proposed OPRD.
3. Written notice of a public hearing is provided by certified mail to all owners of all real property within the proposed district.
4. The governing body holds a public hearing with a public
5. The governing body adopts a resolution establishing the district and the determination that it meets the requirements under the legislation.

Owner/developer process for obtaining an OPRA certificate

1. An owner of an obsolete property within the district files an application for an OPRA certificate with the clerk of the local government that includes the details of the project.
2. Once a completed application is received, the clerk must notify the assessor and each taxing unit that levies property taxes (e.g., county, community college, library, etc.).
3. The governing body holds a public hearing prior to acting on the resolution regarding the certificate.
4. Within 60 days of receipt of application, the local unit of government shall by resolution approve or disapprove the application for the certification for up to 12 years. The public hearings for the district and the exemption certificate may be held on the same day, but with individual public hearings.
5. Once approved locally, the application and resolution must be sent to the State Tax Commission (STC). The STC has 60 days to approve or disapprove the request. To apply for the abatement of school millage, the developer must make note of this on the application form. The STC is responsible for final approval and issuance of all OPRA certificates.

WHY WOULD A COMMUNITY WANT TO OFFER AN OBSELETE PROPERTY TAX REHABILITATION TAX ABATEMENT?

The OPRA incentive is used to encourage the redevelopment of blighted buildings. In many cases, this could be an abandoned, multi-story industrial building that is now more suited for commercial or residential rental units. To the developer, the advantage is savings on property taxes. The tax incentives essentially freeze the local property taxes for up to 12 years, exempting from local property tax all real property improvements. In addition, the state treasurer has the ability to exempt one-half of the school millage for up to six years on 25 projects per year.

SUPPORTING STATUTE

PA 146 of 2000: Obsolete Property Rehabilitation Act

CONTACT INFORMATION

For more information, contact the Community Assistance Team (CAT) specialist assigned to your territory or visit www.miplace.org.

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COMMERCIAL REHABILITATION ACT

Public Act 310 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.

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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.