



# Commercial Rehabilitation Act

## OVERVIEW

The Commercial Rehabilitation Tax Abatement is an incentive used to encourage the redevelopment of commercial property. The Act provides a tax exemption for property of which the primary purpose is the operation of a commercial business, multifamily residential (5 or more units) or qualified retail food establishments. The advantage to the taxpayer is a savings on property taxes.

## TAX IMPACT

The tax incentive freezes the taxable value of the building at the current value for the local property taxes for up to 10 years, exempting from local property tax all real property improvements. School Operating and State Education taxes are not abated.

## POLICY AND ELIGIBILITY CRITERIA

- Applicant must own 50% of all taxable value of the property located within a proposed commercial rehabilitation district
- The area of the Commercial Rehabilitation District must be not less than 3 acres in size, located in a downtown or business area, or contain a qualified retail food establishment
- Applicant must demonstrate that "but for" the abatement the project is not financially feasible
- The approval of an abatement must provide a net positive revenue gain to the city
- Project is consistent with the City's comprehensive plans, applicable corridor strategies or other strategic initiatives including hiring and procurement plans
- To receive a Certificate, the commercial property must be a qualified facility; which is a building or group of contiguous buildings of commercial property that is 15 years or older
- A qualified facility may include vacant property or other commercial property which, within the immediately preceding 15 years, was commercial property

Receiving a PA 210 tax abatement is a two-step process; first a PA 210 District must be established and only then can a PA 210 Certificate be awarded. Commencement of the rehabilitation of the qualified facility cannot occur earlier than 6 months before the applicant files the application for the Commercial Rehabilitation Exemption Certificate.

## DISTRICT PROCESS

1. Project scoping, evaluation and statutory review meeting with DEGC
2. Application intake and financial review: Applicant submits project narrative and project financials to DEGC for underwriting and to determine economic and fiscal impacts
3. DEGC presents the project and recommendation to city officials for consideration
4. Applicant submits letter requesting the establishment of the PA 210 District to the City of Detroit Clerk's Office
5. City departments draft supporting reports and documentation
6. Detroit City Council holds a public hearing and adopts a resolution establishing the district

## CERTIFICATE APPLICATION PROCESS

1. Owner of the qualified property within the district files an application for a PA 210 Certificate with the City of Detroit Clerk's Office (State of Michigan form 4507)
2. Tax Abatement Agreement is developed and signed by the Applicant
3. Detroit City Council holds public hearing and adopts resolution to approve the Certificate