



Obsolete Property Rehabilitation Act

OVERVIEW

The Obsolete Property Rehabilitation Tax Abatement (OPRA) is an incentive used to encourage the redevelopment of commercial or commercial mixed used buildings that are contaminated, blighted, or functionally obsolete. Commercial housing property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to a multiple-unit dwelling or dwelling unit in a multiple-purpose structure, used for residential purposes. 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 12 years, exempting from local property tax from all real property improvements. School Operating and State Education taxes are not abated.

POLICY AND ELIGIBILITY CRITERIA

- Applicant must have 50% of all taxable value of the property located within a proposed obsolete property rehabilitation district
- 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
- Obsolescence is defined as blighted, functionally obsolete, or a facility, as defined by the natural resources and environmental protection act

Receiving an OPRA tax abatement is a two-step process; first an OPRA District must be established and only then can an OPRA Certificate be awarded. Work on the project may not begin before the establishment of the district.

DISTRICT PROCESS

1. Introduction, project scoping 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 OPRA District to 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 obsolete property within the district files an application for an OPRA Certificate with the City of Detroit Clerk’s Office (State of Michigan form 3674)
2. Tax Abatement Agreement is developed and signed by the Applicant
3. City Council holds public hearing and adopts resolution to approve the Certificate