

# Commercial Redevelopment Act

## Introduction

PA 227 of 2008 reactivated and updated the Commercial Redevelopment Act (1978 PA 255, MCL 207.652 et seq.), which the Legislature allowed to sunset in 1985. This Act allows for tax exemptions for new, replacement, and restored facilities in city, village, and township redevelopment districts. The Act sunsets on December 31, 2020, and no new abatements can be granted after that date unless the sunset is extended or removed by the Legislature.

## What Is the Purpose of the Act?

Under 1978 PA 255 (as amended by 2008 PA 227), a legislative body is authorized to create a commercial redevelopment district and exempt commercial property (replacement facility, restored facility, or new facility) from certain parts of the General Property Tax Act if the property is located in the district. A facility issued a certificate is exempt from real property taxes and is instead subject to a new commercial facilities tax.

## Eligible Commercial Properties

Eligible properties include land improvements classified as real property that are either completed or in the process of construction, for which the primary purpose and use is the operation of a commercial business enterprise. The duration of the exemption is at the discretion of the local legislative body, from one to 12 years after the completion of the facility. A legislative body may review and extend an exemption issued for less than 12 years. Upon expiration of the certificate, the abated facility is placed back on the ad valorem property tax roll.

## How Taxes Are Calculated

Commercial facilities' taxes are calculated based on the type of facility qualifying for the exemption. For a new or replacement facility, the total taxable value of the facility (excluding land and personal property) is multiplied by 1/2 of the total mills levied by all taxing jurisdictions in the district. For a restored facility, the taxable value of the real property of the obsolete facility (excluding land and personal property) in the year preceding the issuance of the exemption certificate is multiplied by the total mills levied by all taxing jurisdictions in the district. In addition to local taxes, the state treasurer may exclude up to 1/2 of the State Education Tax mills the facility must pay (for a period of up to six years) if it is determined necessary for reducing unemployment, promoting economic growth, and increasing capital investment in the local unit of government. This must be done within 60 days after the local unit has granted a commercial facility exemption for a new or replacement facility, and only 25 of these exemptions can be made per year.

## Requirements of the Act

For new, replacement, and restored facilities to utilize this Act, the commercial property must be located in areas zoned to allow for mixed-use (including high density, residential use). The property must also be located in a downtown revitalization district as defined in the Neighborhood Enterprise Zone Act (PA 147 of 1992), or in an area within the boundaries of the city or village that is zoned and primarily used for business, as determined by the local unit of government. For replacement facilities, the commercial property must be on, or contiguous to, land to be acquired, constructed, altered, or installed if being substituted for obsolete commercial property.

The local unit of government in which the facility is located must do the following in the redevelopment district:

- establish and implement an expedited local permitting and inspection process
- pass a resolution providing for walkable, non-motorized interconnections, including sidewalks and streetscapes

This publication was written by the law firm of Miller Canfield.