

**CITY OF WESTLAND, MICHIGAN
COMMERCIAL REDEVELOPMENT POLICY
DECEMBER 10, 2012**

I. INTRODUCTION

This booklet is designed to summarize the policies and procedures adopted by the City of Westland with regard to the construction of new and replacement commercial facilities, as well as the restoration of existing commercial facilities, under Act 255 of the Public Acts of 1978 (MCL 207.651, *et seq*), as amended.

Act 255, the Commercial Redevelopment Act, was adopted by the State of Michigan as a way to encourage the restoration, replacement, and new construction of commercial property. For a restored facility, the Act freezes the taxable value of the building at its value prior to restoration, thereby exempting the new investment for a period of years. For new or replacement facilities, the act provides for a 50% reduction in the number of mills levied as ad valorem taxes, excluding the State Education Tax (SET).

The City Council of the City of Westland has established a Commercial Redevelopment District along Wayne Road from Cherry Hill to Glenwood. The responsibility of the City Council is to approve or deny the granting of Commercial Facility Exemption Certificates to properties located within the District. When granted, these certificates decrease the amount of ad valorem property taxes that would otherwise be levied on the facilities as a way to encourage economic growth.

It is the hope of the City of Westland that the information and forms contained within this booklet will assist the commercial community in its continuing efforts to contribute to the welfare of the community as a whole.

Questions concerning Act 255 tax exemption certificates can be directed to: Westland Economic Development Department, 36000 Ford Road, Westland, Michigan 48185, telephone (734) 467-3264.

II. GOALS AND OBJECTIVES

The Westland City Council will evaluate all Act 255 applications in light of the following non-exhaustive goals and objectives. These goals and objectives are to be applied equally in the review of applications from both local and out of town firms:

1. The project will expand the City's tax base
2. The project will expand employment opportunities for Westland residents.
3. The project will support the beautification and revitalization of the City.
4. The project is calculated to, and will at the time of issuance of the certificate have reasonable likelihood to, increase commercial activity, create employment, retain employment, or prevent loss of employment in the community.
5. The applicant meets current financial obligations to the City, including but not limited to taxes, assessments, fines, and charges.
6. The applicant is in compliance with all applicable State and City codes and ordinances.
7. The applicant has no pending or current litigation against the City (including appeals to the Michigan Tax Tribunal).

III. APPLICANT INSTRUCTIONS FOR APPLYING FOR A COMMERCIAL FACILITIES EXEMPTION CERTIFICATE

1. In order to encourage economic development, the City Council of the City of Westland determined that it would be in the best interest of the City to establish a Commercial Redevelopment District along Wayne Road spanning from Cherry Hill to Glenwood. The creation of additional districts or expansion of this district remains in the control of the City Council.
2. Notice was given to the general public and certified letters were sent to the owners of property located within the proposed district that a hearing would be held before the City Council concerning the establishment of the proposed district.
3. A public hearing was held before the City Council on November 19, 2012 concerning the establishment of the district.
4. On that date, City Council voted to approve the proposed Commercial Redevelopment District.
5. Property owners who wish to invest in their commercial properties may seek a Commercial Facilities Exemption Certificate to decrease the tax burden of such capital expenditures.
6. Property owners within the district seeking to apply for a Commercial Facilities Exemption Certificate must complete parts 1, 2, and 3 of Michigan Department of Treasury Form 4757, entitled "Application for Commercial Facilities Exemption Certificate," located in this packet. This form may also be downloaded at http://www.michigan.gov/documents/taxes/4757_292963_7.pdf.

7. Applicant must submit the application after the establishment of the Commercial Redevelopment District and within 45 days of the commencement of the project.
8. The City Clerk will only accept the application if the applicant also includes the following attachments with the application:
 - a. General description of the facility (year built, original use, most recent use, number of stories, square footage, etc.)
 - b. General description of the proposed use of the facility.
 - c. General description of the nature and extent of the restoration, replacement, or construction to be undertaken. This description must include an estimate of expected capital expenditures to be made on the property.
 - d. Legal description of the facility.
 - e. Descriptive list of the fixed building equipment that will be a part of the facility.
 - f. Time schedule for undertaking and completing the restoration, replacement, or construction of the facility.
 - g. Statement of the economic advantages expected from the exemption.
 - h. Application fee of \$500 or as set annually by City Council.
9. Upon receipt of the application and required attachments, the City Clerk's Office shall provide the application to the City's Economic Development Director (Director).
10. Once all information is gathered, the Director shall request the City Clerk to give notice to the general public and send written notification of the application hearing to the assessor of the local unit of government and each taxing jurisdiction that levies ad valorem property taxes.
11. The City Council shall hold a hearing and either approve or deny the application. Such approval or denial must occur not more than 60 days after a determination of the completed application by the Director.
12. If City Council denies the application, reasons shall be set forth in the resolution and the clerk must send a copy of the resolution to the applicant.

13. If City Council approves the application, the Clerk must issue the Commercial Facilities Exemption Certificate. The effective date of the certificate is the December 31 following the date of the issuance of the certificate.
14. The duration of the Tax Exemption Certificate is determined based on what percentage of the property's True Cash Value (TCV) is invested in the property by capital expenditure, up to a maximum of 12 years. TCV shall be determined as 2x SEV as set by the City Assessor. This is detailed in the table in Section IV of this booklet.
15. The City Clerk must receive proof of capital expenditures, including copies of invoices paid, by December 31st of the year in which they are made in order for the property owner to receive the tax exemption.
16. The City Council may revoke the exemption certificate if proof of capital expenditures is not provided.
17. The City Council may revoke the exemption certificate if the completion of the facility has not occurred within two years after the effective date of the certificate, unless a greater time is permitted by the City Council and good cause exists for doing so.
18. Additionally, the City Council may revoke the certificate if the holder has not proceeded in good faith with the replacement, restoration, or construction and operation of the facility consistent with the purposes of PA 255, not including circumstances beyond the control of the certificate holder.

**IV. TAX EXEMPTION DURATION SCHEDULE
FOR COMMERCIAL PROPERTY**

Capital Expenditure Percentage of Property's True Cash Value (TCV)	Exemption Certificate Duration (Years)
0-10%	2
11-20%	4
21-50%	6
51-70%	8
+70%	12

Example:

For a property with a TCV of \$300,000, the following capital expenditures into a new, restored, or replacement facility would result in the exemption certificate being granted for the following timeframes:

- \$30,000 (10%) 2 years
- \$60,000 (20%) 4 years
- \$150,000 (50%) 6 years

Capital Expenditures

The Commercial Facilities Tax Exemption Certificate is only available to property owners who make allowable capital expenditures on their property; general maintenance and upkeep expenses may not form the basis of the exemption.

Capital expenditures are defined as an outlay of funds that relates to the construction, restoration or replacement of a commercial facility located within the commercial redevelopment

district and are designed to provide the company with a long-term benefit. Examples of capital expenditures include (but are not limited to) acquiring new fixed assets, improvement of floor loads, improved structural support including foundations, improved roof structure and cover, floor replacement, improved exterior and interior appearance of buildings, and all new construction on a vacant parcel. The Director will work with the City Assessor and Attorney to determine Capital Expenditure qualifications prior to submittal to City Council. The Applicant will be required to acknowledge the qualified Capital Expenditures as the application moves to City Council.

The Commercial Facilities Tax Exemption Certificate is not available for property owners' general maintenance or upkeep expenses on the facility. General upkeep and maintenance expenses are defined as expenses incurred to operate and promote a business. Examples of general maintenance and upkeep expenses include parking lot repair, painting of the facility, and replacement of light bulbs.

Non-transferability of Exemption Certificate

The Commercial Facilities Tax Exemption Certificate may only be issued to the owner or lessee of commercial property who makes capital expenditures on that property. The duration of the certificate is for a period of years based on the above calculation. The holder of the certificate may not transfer or assign that certificate to a subsequent owner or lessee of the property. If the holder of the certificate sells the commercial property prior to the end of the granted exemption period, the certificate is extinguished and beneficial tax treatment does not transfer to the new property owner.

V. CALCULATION OF THE COMMERCIAL FACILITIES TAX

The approval of a Commercial Facilities Exemption Certificate does not completely eliminate the taxes imposed on the property or personal property. In addition to the taxes on the land (which are not exempted under PA 255), the applicant will pay a “Commercial Facilities Tax” instead of the ad valorem tax on the building. The calculation of tax is dependent on whether the facility is a restored facility or a new/replacement facility.

- a. Restored Facility. A restored facility means changes to obsolete commercial property as may be required to restore the property to an economically efficient condition. The Commercial Facilities Tax for a restored facility freezes the taxable value at its value prior to the restoration, exempting the new investment from local taxes for the period outlined in the above tax exemption duration schedule. Additionally, the school operating tax and the State Education Tax (SET) are also frozen. Land and personal property taxes cannot be abated under PA 255.
- b. Replacement/New Facility. Replacement commercial property means property to be acquired, constructed, altered, or installed for the purpose of being substituted for obsolete commercial property. New facilities include all other new commercial property. The Commercial Facilities Tax provides for a 50% reduction in the number of mills levied as ad valorem taxes, excluding only the State Education Tax (SET). Land and personal property taxes cannot be abated under PA 255. Additionally, within 60 days after granting a new certificate, the State Treasurer may exclude up to 50% of the SET for up to six years. Under the Act, the State Treasurer may not grant more than 25 of these SET exclusions per year.