



# OBSOLETE PROPERTY REHABILITATION ACT EXEMPTION

"OPRA" INFORMATION PACKET AND GUIDELINES

## **OVERVIEW:**

### **What is OPRA?**

OPRA is the acronym for the Michigan Obsolete Property Rehabilitation Act, PA 2000 No. 146. This is a state law which permits qualified local units of government to offer a tax incentive to encourage the redevelopment of obsolete property.

### **Does OPRA apply to property in Ludington?**

The City of Ludington is a qualified local unit of government as defined by OPRA and can offer OPRA tax incentives.

### **Who can apply for tax relief under OPRA?**

The owner of obsolete property can apply for tax relief under OPRA to rehabilitate the property.

### **What is obsolete property?**

OPRA permits use of tax incentives to rehabilitate contaminated, blighted or functionally obsolete property. The law designates two types of obsolete property: commercial housing property and commercial property.

### **What are some examples of contaminated, blighted or functionally obsolete property?**

Contaminated property is property contaminated by a hazardous substance as defined by the Michigan Natural Resources and Environmental Protection Act and federal environmental laws. Many gas stations have had leaky gas storage tanks which contaminated the soil. Some manufacturing plants use chemicals which leach into the surrounding soil.

Some examples of blighted property are: property declared to be a nuisance under local housing, building, electrical, plumbing, and related codes; property which is an attractive nuisance to children; and property which is a fire or safety hazard.

Some examples of functionally obsolete property are: property with excessively high or low ceilings; property with partition walls which restrict property usage; and property with inadequate mechanical systems.

### **What is Commercial Housing Property?**

Commercial housing property is a multiple unit dwelling or a dwelling unit in a multiple purpose structure used for residential purposes. It is also a building or group of contiguous buildings previously used for industrial purposes being converted to a commercial business enterprise or multiple-unit dwelling or a dwelling in a multiple use structure.

### **What is Commercial Property?**

Commercial property is property the primary purpose and use of which is the operation of a commercial business enterprise.

### **The roof on my house is sagging and my plumbing and electrical systems are outdated. Can I apply for OPRA relief to repair my house?**

Maybe. You certainly don't qualify if you own a single-family home. If you own a multi-family home you might own a commercial housing property and qualify for OPRA relief.

### **If I own obsolete property, can I get OPRA relief to tear down the buildings and rebuild from scratch?**

No. OPRA relief is only available if you rehabilitate existing structures.

### **How does OPRA relief work?**

The City freezes the existing taxable value of the property for up to 12 years. The State may also reduce the school operating and state education taxes for up to 6 years. The tax savings for the developer is an incentive to make significant improvements to the property. The City may grant relief for 2 to 12 years.

### **How does the City decide how long the taxable value of property should be frozen?**

The City has developed scoring grids to help determine how long tax rates should be frozen. The grids consider many variables including among others: the value of the investment; the number of housing units created if any; electric vehicle infrastructure; green infrastructure; public infrastructure repair or replacement; pedestrian and bicycle infrastructure.

### **What does the City get in return for the tax relief it grants?**

First, the City does continue to receive tax revenue for the property at the frozen tax rate. It gives up the increase in taxable value for a while, but it gets significant improvements in the obsolete properties and gets the full tax value of the improved property when the incentive expires.

### **Does the City pay developers money as part of the OPRA incentive?**

No. The City does not pay any money to developers as part of the OPRA incentive. Instead, the City forgoes the benefit of increased taxes for the improvements to the property.

### **Has Ludington granted any OPRA tax relief for improving obsolete property?**

Yes. The City of Ludington has completed several OPRA projects.

### **What is an OPRA District?**

- To be eligible for tax relief obsolete property must be in an approved OPRA district.
- Either on its own initiative or at the request of 50% of the landowners in a proposed district the City may designate an Obsolete Property Rehabilitation District within the City.
- After written notice to all property owners in the proposed district the City Council holds a public hearing about the proposed district.
- After the public hearing the City Council may adopt a resolution finding that the proposed district meets the requirement of the OPRA statute and establishing the OPRA district.

### **How does a developer get approval for OPRA tax relief?**

- First the developer requests the City Assessor to inspect the property to determine if it qualifies as obsolete property under the OPRA statute.
- If the property is determined to be obsolete and if it is not located in an already approved OPRA district, the developer makes a written request to the City to approve an OPRA district following the procedure explained above.
- The developer files a written application with the City Clerk using the prescribed forms.
- The City Clerk notifies the assessor and each taxing unit affected by the application about the filing of the application.
- Within 60 days after the application is filed, the City Council holds a public hearing about the application and adopts a resolution either approving or denying the application.
- If the City Council approves the application the City Clerk sends the appropriate documents to the State Tax Commission.
- The State Tax Commission has the final say on whether tax relief is granted. If granted the State Tax Commission issues the OPRA certificate.

### **Are there any fees for the OPRA process?**

Yes.

### **Are there any time constraints in the approval process?**

To qualify for tax relief for the next calendar year, the developer should begin the process no later than the end of June, as the State Tax Commission needs to receive the documents by October 1 to act on the request in a timely manner.

## Further Information

This summary is written to give citizen a general understanding about OPRA. If you need additional information, you may contact the City Manager or the Community Development office. You may get any application or other forms from the City Clerk.

For more in-depth information, you should read PA 2000 No. 206, the Obsolete Property Rehabilitation Act. You can find this statute at <https://legislature.mi.gov/Laws/MCL?objectName=MCL-ACT-146-OF-2000>.

## APPLICATION PROCESS:

These are the steps to follow if you wish to apply for an Obsolete Properties Rehabilitation Exemption (OPRA exemption):

1. **Request that the City Assessor inspect** your building to determine if the property qualifies as obsolete property under the legislation. This must be done before council acts on your request for an OPRA district.
2. **Request in writing** to the City Clerk that an Obsolete Properties Rehabilitation District be established for your property. City Council may approve this by resolution. Do not begin structural or cosmetic improvements to the building until after the district is established by City Council. This process may take four to six weeks.
3. **Complete the State and City application form/addenda** provided by the City Clerk's Office. The current version of the relevant state form (F3674) is attached to this packet, but the state updates such forms from time to time, so you may wish to check online before completing the form. You must also include a letter stating that the rehabilitation project could not be completed without the assistance of the exemption (required by statute). Also, include cost estimates of your planned projects and approximate completion schedules. When completing the forms and drafting the letter, be as specific as possible. The City Manager will bring this before the Ludington City Council and a public hearing will be held to consider your exemption. This process may take an additional four to six weeks.
4. **If approved by City Council, the City Clerk will then send** required documents to the State of Michigan for review and approval/disapproval by the State Tax Commission. Please note that the STC must receive the application by October 1st to consider the exemption for the next year's taxes. In order to maintain the necessary timetable, your district request should be started by the end of June with the completed exemption application submitted by the first Thursday of September. An OPRA exemption granted by the state on or before December 31st of any year will take effect in the following tax year.

## NOTE:

**A \$750.00 application fee** applies to new districts, amendments to districts, or OPRA certificates.

**An OPRA exemption will result in three separate tax bills** for the exempt parcel: 1) land is assessed and taxed normally, 2) the frozen taxable value for all levies 3) "Non-frozen taxable value" means that the increased taxable value resulting from project improvements will be taxed

only the School Operating (18 mills) and State Education Tax (6 mills) which may be reduced by 1/2 by the State Treasurer for up to six years.

**You must pay property taxes timely.** Failure to pay taxes before they become delinquent on February 28<sup>th</sup> of each year may constitute a reason for revoking the exemption.

**A Principal Residence Exemption may apply** if you rehabilitate the upper floor(s) of your property into your primary residence.

**The City of Ludington has established application ranking criteria** for OPRA exemptions to determine the term, two to ten years, for each exemption requested (Appendix A).

## Appendix A

### APPLICATION RANKING CRITERIA

#### LENGTH OF THE TAX ABATEMENT:

The Act provides that the duration of an OPRA abatement can be from one to twelve years at the discretion of the City. The City has established 2, 7 and 9-year terms as the default for exemptions. These will be considered the base level of support for projects that meet the Qualification Criteria (above) and the criteria contained in the Act. Certain project qualities may allow for that standard exemption to be increased, with eligibility for an OPRA extension being evaluated based on a points system.

<b>POINTS (Up to \$100,000 investment)</b>	<b>TOTAL LENGTH OF ABATEMENT</b>
1-100	2 Years
101-200	3 Years
201-300	4 Years
301-400	5 Years
401-500	6 Years
501-600	7 Years
601-700	8 Years
701-800	9 Years
801-900	10 Years
901-1000	11 Years
1001-1100	12 Years

<b>POINTS (\$100,000- \$500,000)</b>	<b>TOTAL LENGTH OF ABATEMENT</b>
1-100	7 Years
101-200	8 Years
201-300	9 Years
301-400	10 Years
401-500	11 Years
501-600	12 Years

<b>POINTS (\$501,000-\$2million investment)</b>	<b>TOTAL LENGTH OF ABATEMENT</b>
1-100	9 Years
101-200	10 Years
201-300	11 Years
301-400	12 Years

**CITY INVESTMENT CRITERIA:** The City Investment Criteria described below have been identified in various plans developed with input from the Ludington community, and have been prioritized in this Policy in order to incentivize outcomes desired by the City.

Housing:

The addition of housing in all sectors is an identified Masterplan goal of the City of Ludington. Addition of housing as a part of the project will garner the following points:

- 1-4 units: **100 points**
- 5-10 units: **200 points**
- 11 or more units: **300 points**

In-fill Development:

Projects that address infill in the Downtown Core & Waterfront areas and that promote mixed use. **100 points**

Electric Vehicle Infrastructure:

The City council as well as the State of Michigan have prioritized electric vehicle infrastructure. **100 points**

Sustainable Development/Green Infrastructure:

This includes impervious surfaces **100 points** Use of a green roof, i.e. a turf roof: **75 points** Achieve LEED Certification, or Net-Zero Energy Certification: **100 points**

Greening Initiatives:

The property plans include planting sites for trees, bushes, flowers, or gardens (must include the use of native plants and be above and beyond regular screening requirements) Points can be achieved through the removal of invasive species: **50 points**

Celebration of Culture:

Development plans include a public art installation, approved by the City of Ludington, that reflects the history, culture, or spirit of the City of Ludington: **50 points**

Public Infrastructure repair, replace or add:

Streets, curbs, or sidewalks. **100 points**

Pedestrian & Bicycle Infrastructure:

Paths/Trail Construction, Bike fix-it stations with covered parking, etc. Investment must be above and beyond simple bike rack placement. **50 points**

High Quality Public Spaces:

Creation of a picnic area, pavilion, walking path, pet friendly areas, sports courts. **Up to 100 points.**

These amenities may include:

- Public bike racks: **25 Points**
- Public water fountains: **100 Points**
- Public benches: **25 Points**

Salaries and Wages:

- Wages are at 80% AMI (\$17.57 per hour): **25 points**
- Wages are at 85% AMI (\$18.67 per hour): **50 points**
- Wages are at 90% AMI (\$19.77 per hour): **100 points**

## **FACTORS & CRITERIA FOR CONSIDERATION OF EXTENSION:**

The owner of a property which has been granted an Obsolete Property Rehabilitation Exemption, for less than the 12-year maximum, may request an extension of the exemption up to the full 12 years as allowed by Public Act 146 of 2000. The City of Ludington will consider an extension request after reviewing any of the following that may apply:

1. Work on an incomplete project has been continuous and measurable.
2. The original investment is made and the work is complete, but the owner wants to expand the project.
3. Fulfillment of the original rehabilitation is nearing completion, but requires additional time.
4. The property is changing ownership and the new owners plan additional investment and rehabilitation as demonstrated by their business plan.
5. A natural disaster, act of God, or other extreme action beyond the owner's control, such as fire or flood, has partially destroyed the property or prevented completion of the project and the damage can be repaired.
6. To the extent that the rehabilitation is complete, it can be determined that the project will meet its goal of increasing commercial activity and/or creating or retaining employment.
7. The exemption holder has maintained the exempted property in accordance with the City of Ludington's property maintenance ordinance.
8. Any combination of the above considerations or any extenuating circumstance which may demonstrate the need for an extension.

Prior to requesting an extension of the term of an exemption, the applicant will need to send a written request to the City Manager, stating the reason for the extension and the goals which the applicant plans to achieve, if the extension is granted. The City Manager and Building Inspector will physically inspect the site and present the request to the City Council to schedule a public hearing.

*NOTE: Only one extension of the term may be granted for any Obsolete Properties Rehabilitation Exemption.*

**ADDENDUM TO APPLICATION FOR  
OBSOLETE PROPERTY REHABILITATION CERTIFICATE**

**Applicant Name:** \_\_\_\_\_

**Location of Facility:** \_\_\_\_\_

**A. General Description of Existing Facility:**

\_\_\_\_\_

\_\_\_\_\_

Year Built: \_\_\_\_\_ No. of Stories: \_\_\_\_\_ Square Footage: \_\_\_\_\_

Original Use: \_\_\_\_\_

Most Recent Use: \_\_\_\_\_

New Job Creation not Including Construction: \_\_\_\_\_

**B. General Description of Proposed Use:**

\_\_\_\_\_

\_\_\_\_\_

**C. Description of General Nature & Extent of Rehabilitation to be Undertaken:**

\_\_\_\_\_

\_\_\_\_\_

**D. List of fixed building equipment to be a part of the facility:**

\_\_\_\_\_

\_\_\_\_\_

**E. Time schedule for undertaking & completing the rehabilitation:**

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**F. Statement of economic advantages expected from exemption:**

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*Attach additional pages if necessary to complete answers. This form will be included in the application packet and sent to the State of Michigan.*