

Frequently Asked Questions  
Commercial Redevelopment Act  
(PA 255 of 1978, as amended)

The following frequently asked questions are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act 255 of 1978, as amended.

**Note:** The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. **How do you apply for a Commercial Facilities Exemption Certificate (CFEC)?**

Applications can be found on the Michigan Department of Treasury website: [www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions). Completed applications are filed with the Clerk of the local governmental unit and must be accompanied by the following documentation:

- a. A legal description of the property referred to in the application.
- b. A statement describing the facility and its proposed project that must include all of the following items:
  1. General description of the facility (including year built, original use, most recent use, number of stories and square footage);
  2. General description of the proposed use of the facility;
  3. A description of the general nature and extent of the restoration, replacement or construction to be undertaken;
  4. A descriptive list of the fixed building equipment that will be a part of the facility, if applicable; and
  5. A time schedule for undertaking and completing the restoration, replacement or construction of the facility.
- c. A statement of the economic advantages expected from the exemption, including the number of jobs retained or created due to the exemption, including expected construction employment.

2. **Who establishes a Commercial Redevelopment District?**

The legislative body of a qualified local governmental unit may establish a Commercial Redevelopment District on its own initiative or upon written request filed by the owner or owners of 75% of the state equalized value of the commercial property located within a proposed district.

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3. **What requirements must be met to gain approval for a Commercial Facilities Exemption Certificate at the local governmental unit level?**

The owner or lessee of the property must file an application with the local governmental unit (LGU). The application shall contain or be accompanied by a general description of the facility, a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement or construction to be undertaken, a descriptive list of the fixed building equipment that will be a part of the facility, a time schedule for undertaking and completing the restoration, replacement or construction of the facility, a statement of the economic advantages expected from the exemption, including the number of jobs to be retained or created as a result of the exemption, including expected construction employment; and additional information as may be required by the LGU. Since individual LGUs may have specific application procedures and requirements, it is recommended that prospective applicants consult with the LGU early in the project planning process.

4. **Who determines whether a facility qualifies for a Commercial Facilities Exemption Certificate (CFEC) or not?**

The determination of qualification for a CFEC is made by the local governmental unit (LGU) when the application is filed with the clerk. The LGU must determine whether or not an applicant meets the definitions of the Act.

5. **Who can file an application for a Commercial Facilities Exemption Certificate (CFEC) and with whom is it filed?**

The owner or lessee of a commercial facility may file an application for a CFEC with the Clerk of the qualified local governmental unit that established the Commercial Redevelopment District.

6. **Are there provisions in the application process that are time sensitive?**

Yes. Work may not begin before the establishment of the district. After work has begun in an established district, the application must be filed with the clerk of the local governmental unit within 45 days. Also, in order to qualify for a State Education Tax (SET) exemption from the State Treasurer, applications and certificates must be completed and received by the State of Michigan no later than October 31<sup>st</sup>. An application received after October 31<sup>st</sup> will not be processed until the following tax year.

7. **What determines the starting date of the Commercial Facilities Exemption Certificate (CFEC)?**

The effective date of the CFEC is December 31<sup>st</sup> immediately following the date of issuance of the certificate.

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8. **Can an application for a Commercial Facilities Exemption Certificate be denied?**

Yes. An application can be denied at the local unit level if all of the requirements are not met by the applicant.

9. **What is the term for a Commercial Facilities Exemption Certificate (CFEC)?**

The CFEC may be issued for a period of at least one (1) year, but not more than twelve (12) years. The total amount of time determined for the certificate, including any extensions, shall not exceed twelve (12) years after the completion of the facility. The certificate shall commence with its effective date and end on the December 30<sup>th</sup> immediately following the last day of the number of years approved.

10. **Can a Commercial Facilities Exemption Certificate (CFEC) be transferred or assigned?**

Yes. A CFEC may be transferred or assigned by the holder of the certificate to a new owner or lessee of the facility if the qualified local governmental unit approves the transfer after application by the new owner(s).

11. **Can a Commercial Facilities Exemption Certificate (CFEC) be revoked? If yes, who holds the authority to do so?**

Yes. The legislative body of the qualified local governmental unit (LGU) may, by resolution, revoke the CFEC of a facility if it finds that the completion of the restoration, replacement or construction of the facility has not occurred within two years of the effective date of the exemption or a greater time authorized by the LGU for good cause, or that the holder of the exemption certificate has not proceeded in good faith with the replacement, restoration or construction and operation of the facility in a manner consistent with the purpose of the exemption and in the absence of circumstances beyond the control of the holder of the exemption certificate.

12. **What is the definition of “obsolete commercial property?”**

MCL 207.654(3) defines “obsolete commercial property” as:

“commercial property the condition of which is impaired due to changes in design, construction, technology, or improved production processes, or damage due to fire, natural disaster, or general neglect.”

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13. **What is the definition of “commercial property?”**

MCL 207.653(3) defines “commercial property” as:

“land improvements classified by law for general ad valorem tax purposes as real property including real property assessable as personal property pursuant to section 8(d) and 14(6) of the general property tax act, 1893 PA 206, MCL 211.8 and 211.14, whether completed or in the process of construction, the primary purpose and use of which is the operation of a commercial business enterprise and shall include office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities but shall not include any of the following:

- a. Land.
- b. Property of a public utility.
- c. Housing, except that portion of a building containing nonhousing commercial activity.
- d. Financial organizations.”

“Commercial property may be owned or leased. If, in the case of leased property, the lessee is liable for payment of ad valorem property taxes, and furnishes proof of that liability, the lessee is eligible for the exemption. If the lessor is liable for payment of ad valorem property taxes and furnishes proof of that liability, the lessor is eligible for the exemption.”

14. **What is the definition of “new facility?”**

MCL 207.654(2)(b) defines “new facility” as:

“Beginning July 1, 2008, new commercial property other than a replacement facility to be built in a redevelopment district that meets all of the following:

- (i) Is located on property that is zoned to allow for mixed use that includes high-density residential use.
- (ii) Is located in a qualified downtown revitalization district as defined in section 2 of the neighborhood enterprise zone act, 1992 PA 147, MCL 207.772.
- (iii) The local governmental unit in which the new facility is to be located does all of the following:
  - (A) Establishes and implements an expedited local permitting and inspection process in the commercial redevelopment district.
  - (B) By resolution provides for walkable nonmotorized interconnections, including

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sidewalks and streetscapes throughout the  
commercial redevelopment district.”

15. **What is the definition of “restored facility?”**

MCL 207.654(7) defines “restored facility” as:

“A facility that has undergone restoration.”

16. **What is the definition of “replacement facility?”**

MCL 207.654(5)(b) defines “replacement facility” as:

“Beginning July 1, 2008, commercial property on the same or contiguous land within the district which land is or is to be acquired, constructed, altered, or installed for the purpose of being submitted for obsolete commercial property and any part of the old altered property that remains for use as commercial property after the replacement, that meets all of the following:

- (i) is located on property that is zoned to allow for mixed use that includes high-density residential use.
- (ii) is located in a qualified downtown revitalization district as defined in section 2 of the neighborhood enterprise zone act, 1992 PA 147, MCL 207.772.
- (iii) the local governmental unit in which the replacement facility is to be located does all of the following:
  - (A) establishes and implements an expedited local permitting and inspection process in the commercial redevelopment district.
  - (B) by resolution provides for walkable non-motorized interconnections, including sidewalks and streetscapes throughout the commercial redevelopment district.”

17. **What is the definition of “restoration?”**

MCL 207.654(6) defines “restoration” as:

“Changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances thereto, to an economically efficient condition. Restoration includes major renovation including but not limited to the improvement of floor loads, correction of deficient or excessive height, new or improved fixed

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building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore the commercial property to an economically efficient condition. Restoration does not include improvements aggregating less than 10% of the true cash value of the property at commencement of the restoration of the commercial property.”

18. **What is required of the Local Governmental Unit (LGU) regarding the yearly status reporting regarding Commercial Facilities Exemptions to the State Tax Commission?**

Not later than October 15<sup>th</sup> of each year, each qualified local governmental unit granting a Commercial Facilities Exemption shall report to the State Tax Commission on the status of each exemption. The report must include the current value of the property to which the exemption pertains, the value on which the commercial facilities tax is based, and a current estimate of the number of jobs retained or created by the exemption.

19. **How is the tax computed on a Commercial Facilities Exemption Certificate?**

Restored Facility: Multiply the total mills levied as ad valorem taxes for that year by all taxing units within which the facility is situated by the taxable value of the real property (excluding land) of the obsolete commercial property for the tax year immediately preceding the effective date of the commercial facilities exemption.

New or Replacement Facility: Multiply 50% of the mills levied as ad valorem taxes for that year by all taxing units other than State Education Tax and multiply 100% of the mills levied as ad valorem taxes for that year for SET by the taxable value of the real property (excluding land) for the current tax year.

20. **What is the State Treasurer’s State Education Tax (SET) exclusion?**

Within sixty (60) days after the granting of a new Commercial Facilities Exemption Certificate, the State Treasurer may exempt 50% of the SET mills for a period not to exceed six (6) years. The State Treasurer will not grant more than 25 of these SET exclusions each year.