

OBSOLETE PROPERTY REHABILITATION ACT (OPRA)

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. The tax incentive is designed to assist in the redevelopment of older buildings in which a facility is contaminated, blighted or functionally obsolete. The goal is to rehabilitate older buildings into vibrant commercial and commercial housing projects.

WHO IS ELIGIBLE TO APPLY?

OPRA tax abatements may be given for those eligible projects that take place on an obsolete property and result in a commercial or commercial housing building project located in only the local units of governments listed below:

Adrian	Detroit	Iron River	Onaway
Albion	Dowagiac	Ironwood	Owosso
Alma	East Lansing	Ishpeming	Pinconning
Alpena	Eastpointe	Jackson	Pontiac
Ann Arbor	Ecorse	Kalamazoo	Portage
Baldwin	Escanaba	Lansing	Port Huron
Bangor	Ferndale	Lincoln Park	Redford Twp.
Battle Creek	Flint	Livonia	River Rouge
Bay City	Gaastra	Ludington	Royal Oak Twp. (Oakland)
Benton Harbor	Genesee Twp. (Saginaw)	Manistee	Saginaw
Benton Twp. (Berrien)	Gibraltar	Manistique	Saint Louis
Bessemer	Gladstone	Marquette	Sault Ste. Marie
Big Rapids	Grand Haven	Melvindale	Southfield
Bronson	Grand Rapids	Menominee	Sturgis
Buena Vista Twp. (Saginaw)	Grayling	Midland	Taylor
Burton	Hamtramck	Monroe	Three Rivers
Cadillac	Harbor Beach	Mount Clemens	Traverse City
Carson City	Harper Woods	Mount Morris	Trenton
Caspian	Hart	Mt. Morris Twp. (Genesee)	Vassar
Center Line	Hartford	Mount Pleasant	Wakefield
Cheboygan	Hazel Park	Muskegon	Warren
Coldwater	Highland Park	Muskegon Heights	Wayne
Coleman	Holland	Norton Shores	Wyandotte
Crystal Falls	Inkster	Norway	Wyoming
Dearborn	Ionia	Oak Park	Ypsilanti
Dearborn Heights	Iron Mountain	Omer	

HOW DOES IT WORK?

A community essentially freezes the existing taxable value on a designated facility for up to 12 years. By freezing the taxable value, it provides an incentive for the developer to make significant improvements to a building without increasing the property taxes on the building.

WHAT IS THE PROCESS?

The local unit of government must first establish an Obsolete Property Rehabilitation District consisting of one or more parcels or tracts of land characterized by obsolete commercial or commercial housing property. A resolution must be passed that determines the district to be an area characterized by obsolete properties. Prior to adopting a resolution, the community must give written notice by certified mail to all owners of all real property within the proposed district. Also, a public hearing must be held prior to adopting the resolution, with a public notice required not less than 10 days or more than 30 days prior to the date of the hearing.

Second, with the establishment of the district, the owner of an obsolete property can submit an application to the local unit of government for an obsolete property rehabilitation exemption certificate. Once a completed application is received, the clerk must notify the assessor and each taxing unit that levies property taxes (e.g. county, community college, library, etc...). Following the notice, a public hearing is required. The community can determine the number of years to apply the incentive, up to 12 years. The public hearings for the district and the exemption certificate may be held on the same day, but with individual public hearings.

Once approved locally, the application and resolution must be sent to the State Tax Commission. The State Tax Commission has 60 days to approve or disapprove the request. To apply for the abatement of school millage, the developer must make note of this on the application form.

WHY WOULD A COMMUNITY WANT TO OFFER AN OBSOLETE PROPERTY TAX REHABILITATION TAX ABATEMENT?

The OPRA incentive is used to encourage the redevelopment of blighted buildings. In many cases, this could be an abandoned, multi-story industrial building that is now more suited for commercial or residential rental units. To the developer, the advantage is savings on property taxes. The tax incentives essentially freeze the local property taxes for up to 12 years, exempting from local property tax all real property improvements. In addition, the State Treasurer has the ability to exempt one-half of the school millage for up to six years on 25 projects per year. In short:

- Incentives encourage the redevelopment of blighted buildings.
- By establishing a district, communities have the ability to target areas for redevelopment.

SUPPORTING STATUTE

Public Act 146 of 2000—OPRA