



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: December 17, 2019

TO: Christopher Harkins, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Senator Jim Stamas, Chairperson, Appropriation Committee
Representative Shane Hernandez, Chairperson, Appropriation Committee
Senator Jim Runestad, Chairperson, Finance Committee
Representative Lynn Afendoulis, Chairperson, Tax Policy Committee

FROM: David A. Buick, Executive Director
State Tax Commission

SUBJECT: Obsolete Property Rehabilitation Act Exemption Report – 2018 & 2019 Tax Years

Please find attached one copy of the Obsolete Property Rehabilitation Act Exemption Report for both the 2018 and 2019 tax years. This report is required by Public Act 146 of 2000, the Obsolete Property Rehabilitation Act. Section 15 of the Act provides, in part, as follows:

- (1) The department annually shall prepare and submit to the committees of the house of representatives and senate responsible for tax policy and economic development issues a report on the utilization of obsolete property rehabilitation districts, based on the information filed with the commission

Attachment

cc: Joyce Parker, Deputy State Treasurer of State and Local Finance Overview
Rachel E. Richards, Legislative Liaison
Heather S. Frick, Director, Bureau of Local Government and School Services

Background:

Public Act 146 of 2000, as amended, the Obsolete Property Rehabilitation Act provides for property tax exemptions of commercial and commercial housing properties, excluding land, which are rehabilitated and meet the requirements of the Act. Exemptions are approved for a term of 1-12 years, as determined by the unit of local government.

There are two parts to the calculation of taxes owed on an Obsolete Property Rehabilitation Act exemption certificate. The first part of the tax calculation is based on the taxable value for the tax year immediately preceding the effective date of the exemption certificate, which is taxed against the full millage rates levied. The taxable value for the year immediately preceding the effective date of the exemption certificate is frozen for the duration of the exemption certificate, as issued by the State Tax Commission. The second part of the tax calculation is based on the current, also known as post-rehab, taxable value of the property which is taxed against only the school operating and State Education Taxes millage rates levied.

Additionally, the State Treasurer may, for a period not to exceed 6 years, exclude up to one half of the number of mills levied for school operating purposes and for the State Education Tax on the second part of the tax calculation only. The State Treasurer may not approve more than 25 additional exclusions annually.

Applications are filed, reviewed, and approved by the unit of local government, with the State Tax Commission responsible for final approval and issuance of exemption certificates. For the 2018 and 2019 tax years, there were 47 and 50 units of local government, respectively, participating in the program.

Activity:

For the 2018 tax year, there were 320 properties receiving an exemption and for the 2019 tax year, there were 350 properties receiving an exemption. (See Table 1.) It is estimated through data provided by the unit of local government assessor's office that these projects have resulted in a total of 1,715 and 2,232 construction jobs being created, 2,669 and 1,202 existing jobs being retained, and 2,171 and 1,715 new jobs being created. It is further estimated that 464 and 413 new residents are occupying commercial housing properties covered by the exemption. These properties had a combined frozen taxable value totaling \$ 43,393,815 for 2018 and \$52,196,349 for 2019. These properties had a combined current taxable value totaling \$162,966,937 for 2018 and \$158,845,035 for 2019. This is an overall decrease in taxable value of \$4,121,902 from 2018 to 2019. (See Table 2.)

Table 1. Exemptions, Jobs and New Residents

	2018 Exemptions	2019 Exemptions	2018 Construction Jobs	2019 Construction Jobs	2018 Jobs Retained	2019 Jobs Retained	2018 Jobs Created	2019 Jobs Created	2018 New Residents	2019 New Residents
City of Adrian	5	5	0	0	0	0	0	0	0	0
City of Albion	1	1	0	0	0	0	0	0	0	0
City of Allegan	4	6	4	23	0	0	4	49	0	0
City of Alma	4	6	68	20	5	1	1	42	53	8
City of Bad Axe	4	4	81	109	20	44	37	61	1	1
City of Battle Creek	7	9	0	12	2,158	499	466	28	0	0
City of Bay City	16	17	15	40	22	22	49	104	0	11
City of Benton Harbor	1	1	0	220	0	0	0	0	0	8
City of Big Rapids	4	4	3	0	47	37	6	5	4	0
City of Cadillac	2	2	12	22	0	0	0	0	0	0
City of Charlotte	2	2	0	0	0	0	50	50	0	0
City of Cheboygan	NA	1	NA	8	NA	5	NA	12	NA	0
City of Coldwater	2	2	0	0	0	0	0	0	0	0
City of Dearborn	2	2	0	0	0	0	120	120	0	0
City of Detroit	83	92	0	0	0	0	0	0	0	0
City of Escanaba	7	8	20	59	7	0	13	62	1	1
City of Ferndale	2	2	121	121	30	30	5	13	0	0
City of Flint	6	7	0	0	0	0	0	0	0	0

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	2018 Exemptions	2019 Exemptions	2018 Construction Jobs	2019 Construction Jobs	2018 Jobs Retained	2019 Jobs Retained	2018 Jobs Created	2019 Jobs Created	2018 New Residents	2019 New Residents
City of Grand Rapids	32	35	526	537	67	197	358	373	195	195
City of Harbor Beach	1	1	14	14	0	0	5	5	0	0
City of Hartford	1	1	0	0	0	0	2	0	0	0
City of Hillsdale	5	5	64	54	0	0	13	11	30	26
City of Howell	2	2	0	0	0	0	0	0	0	0
City of Ionia	3	3	0	0	2	0	0	0	5	0
City of Ishpeming	1	1	2	4	5	5	0	5	10	10
City of Jackson	2	2	0	0	0	0	0	0	4	0
City of Lansing	34	34	53	53	73	53	571	54	4	0
City of Ludington	5	5	0	12	0	0	0	0	0	5
City of Manistee	1	1	10	0	0	0	20	20	0	14
City of Marshall	1	1	120	120	0	0	0	15	0	0
City of Melvindale	1	1	0	0	0	0	0	0	0	0
City of Monroe	18	18	22	15	2	4	57	56	17	15
City of Mount Clemens	1	1	0	0	0	50	0	50	0	0
City of Muskegon	7	7	84	84	0	0	21	72	3	3
City of Muskegon	1	1	0	0	0	0	0	0	0	0
City of Oak Park	1	2	0	0	0	0	0	0	0	0

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	2018 Exemptions	2019 Exemptions	2018 Construction Jobs	2019 Construction Jobs	2018 Jobs Retained	2019 Jobs Retained	2018 Jobs Created	2019 Jobs Created	2018 New Residents	2019 New Residents
City of Owosso	5	5	89	89	9	9	57	22	0	0
City of Pontiac	2	2	122	133	8	4	45	45	0	0
City of Port Huron	6	7	209	232	147	70	219	239	4	5
City of River Rouge	1	1	0	0	0	0	0	0	0	0
City of Saginaw	16	19	75	216	0	100	20	188	111	111
City of Sandusky	1	1	0	0	0	0	0	0	0	0
City of St. Johns	NA	1	NA	0	NA	0	NA	0	NA	0
City of Sturgis	1	2	1	1	0	0	0	0	0	0
City of Three Rivers	6	6	0	0	12	12	15	12	2	0
City of Trenton	1	2	0	30	0	14	0	2	0	0
City of Vassar	1	1	0	0	0	0	0	0	6	0
City of Wyandotte	4	4	0	0	55	46	0	0	0	0
City of Ypsilanti	7	7	0	4	0	0	1	0	14	0
Total	320	350	1,715	2,232	2,669	1,202	2,171	1,715	464	413

Table 2. Frozen and Current Value

	2018 Total Frozen Taxable Value	2018 Total Current Taxable Value	Net Increase/(Loss)	2019 Total Frozen Taxable Value	2019 Total Current Taxable Value	Net Increase/(Loss)
City of Adrian	\$252,300	\$826,047	\$573,747	\$252,300	\$957,942	\$705,642
City of Albion	\$66,324	\$381,024	\$314,700	\$66,324	\$66,324	\$0
City of Allegan	\$225,500	\$225,500	\$0	\$323,813	\$225,500	(\$98,313)
City of Alma	\$151,241	\$608,668	\$457,427	\$259,521	\$511,203	\$251,682
City of Bad Axe	\$693,600	\$237,929	(\$455,671)	\$693,600	\$936,153	\$242,553
City of Battle Creek	\$4,035,676	\$9,328,220	\$5,292,544	\$4,099,947	\$9,505,787	\$5,405,840
City of Bay City	\$1,719,483	\$1,719,483	\$0	\$1,857,383	\$1,857,383	\$0
City of Benton Harbor	\$18,538	\$0	(\$18,538)	\$18,538	\$811,762	\$793,224
City of Big Rapids	\$236,805	\$749,777	\$512,972	\$236,805	\$381,000	\$144,195
City of Cadillac	\$211,300	\$298,493	\$87,193	\$211,300	\$367,285	\$155,985
City of Charlotte	\$254,843	\$661,750	\$406,907	\$254,843	\$671,515	\$416,672
City of Cheboygan	NA	NA	NA	\$48,700	\$117,500	\$68,800
City of Coldwater	\$62,211	\$414,853	\$352,642	\$62,211	\$0	(\$62,211)
City of Dearborn	\$1,269,800	\$13,745,090	\$12,475,290	\$1,269,800	\$13,993,935	\$12,724,135
City of Detroit	\$13,268,282	\$69,393,240	\$56,124,958	\$17,553,578	\$59,489,196	\$41,935,618
City of Escanaba	\$148,792	\$980,503	\$831,711	\$1,169,792	\$1,938,049	\$768,257
City of Ferndale	\$385,783	\$983,863	\$598,080	\$385,783	\$2,738,673	\$2,352,890
City of Flint	\$931,901	\$4,057,870	\$3,125,969	\$1,239,021	\$8,337,089	\$7,098,068

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	2018 Total Frozen Taxable Value	2018 Total Current Taxable Value	Net Increase/(Loss)	2019 Total Frozen Taxable Value	2019 Total Current Taxable Value	Net Increase/(Loss)
City of Grand Rapids	\$4,243,041	\$21,654,665	\$17,411,624	\$4,693,106	\$20,786,938	\$16,093,832
City of Hartford	\$38,100	\$17,821	(\$20,279)	\$38,100	\$14,600	(\$23,500)
City of Harbor Beach	\$28,300	\$27,700	(\$600)	\$28,300	\$56,000	\$27,700
City of Hillsdale	\$231,510	\$690,391	\$458,881	\$231,510	\$900,249	\$668,739
City of Howell	\$406,025	\$1,347,443	\$941,418	\$406,025	\$1,036,843	\$630,818
City of Ionia	\$36,723	\$129,164	\$92,441	\$36,723	\$84,231	\$47,508
City of Ishpeming	\$70,015	\$70,015	\$0	\$70,015	\$70,015	\$0
City of Jackson	\$154,050	\$84,900	(\$69,150)	\$154,050	\$124,350	(\$29,700)
City of Lansing	\$4,758,078	\$8,090,869	\$3,332,791	\$4,758,078	\$4,191,921	(\$566,157)
City of Ludington	\$332,589	\$617,579	\$284,990	\$332,589	\$440,050	\$107,461
City of Manistee	\$45,806	\$118,200	\$72,394	\$45,806	\$563,636	\$517,830
City of Marshall	\$39,949	\$396,800	\$356,851	\$39,949	\$403,200	\$363,251
City of Melvindale	\$153,114	\$353,114	\$200,000	\$153,114	\$357,914	\$204,800
City of Monroe	\$734,060	\$1,993,160	\$1,259,100	\$734,060	\$1,301,690	\$567,630
City of Mount Clemens	\$85,000	\$331,859	\$246,859	\$85,000	\$424,823	\$339,823
City of Muskegon	\$979,871	\$88,977	(\$890,894)	\$979,871	\$703,611	(\$276,260)
City of Muskegon Heights	\$13,800	\$13,800	\$0	\$13,800	\$10,800	(\$3,000)
City of Oak Park	\$2,175,000	\$8,339,700	\$6,164,700	\$2,175,000	\$8,487,640	\$6,312,640

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	2018 Total Frozen Taxable Value	2018 Total Current Taxable Value	Net Increase/(Loss)	2019 Total Frozen Taxable Value	2019 Total Current Taxable Value	Net Increase/(Loss)
City of Owosso	\$342,732	\$1,138,546	\$795,814	\$342,732	\$1,154,814	\$812,082
City of Pontiac	\$1,223,770	\$1,921,030	\$697,260	\$1,223,770	\$1,937,750	\$713,980
City of Port Huron	\$1,027,872	\$6,139,041	\$5,111,169	\$1,021,983	\$6,016,637	\$4,994,654
City of River Rouge	\$84,900	\$27,306	(\$57,594)	\$84,900	\$0	(\$84,900)
City of Saginaw	\$917,982	\$2,854,594	\$1,936,612	\$1,545,050	\$3,878,300	\$2,333,250
City of Sandusky	\$41,900	\$36,100	(\$5,800)	\$41,900	\$36,966	(\$4,934)
City of Sault. Ste. Marie	NA	NA	NA	\$128,800	\$128,800	NA
City of Sturgis	\$104,110	\$50,000	(\$54,110)	\$500,814	\$50,000	(\$450,814)
City of Three Rivers	\$123,954	\$352,056	\$228,102	\$100,162	\$236,029	\$135,867
City of Trenton	\$81,600	\$81,600	\$0	\$247,500	\$165,900	(\$81,600)
City of Vassar	\$42,300	\$45,700	\$3,400	\$42,300	\$45,700	\$3,400
City of Wyandotte	\$301,200	\$822,027	\$520,827	\$301,200	\$409,784	\$108,584
City of Ypsilanti	\$644,085	\$520,470	(\$123,615)	\$609,023	\$635,760	\$26,737
Total	\$43,393,815	\$162,966,937	\$119,573,122	\$52,196,349	\$158,845,035	\$106,648,686