

OBSOLETE PROPERTY REHABILITATION

DESCRIPTION

The Obsolete Property Rehabilitation Act (OPRA) provides an exemption from ad valorem property taxes to commercial property and commercial housing property that is being rehabilitated. A new exemption will not be granted after December 2016, but an exemption that is in effect will continue until the certificate expires.

ELIGIBILITY

Detroit may establish obsolete property rehabilitation districts. Buildings and improvements within these districts are eligible for exemption from ad valorem property taxes for 1 to 12 years. Personal property is not eligible. The sunset for granting exemptions is December 31, 2016.

To qualify, the property must be commercial property or commercial housing property that is a "facility" (contaminated), "blighted", or "functionally obsolete."

PROCESS

Applications for obsolete property rehabilitation exemption certificates (ECs) are approved by the Detroit City Council. The State Tax Commission (STC) must also approve the application.

Under state law, Detroit shall not approve an application unless the applicant shows that completion of a rehabilitated building has a reasonable likelihood of increasing commercial activity, creating employment, preventing loss of employment, or increasing residence within the building's community. The applicant must also show that "but for" the EC the rehabilitation would not take place. The applicant must not be delinquent in payment of any taxes related to the building.

Owners of rehabilitated buildings shall pay an annual obsolete properties tax on the buildings and improvements. The tax is equal to the current millage (including school mills) times the prerehabilitation taxable value. Payment and disbursement of the tax follow the same requirements of the general property tax act. The State Treasurer may also approve up to 25 new certificates each year for exemption from 1/2 of the school mills for up to 6 years.

Detroit may revoke ECs if the required criteria are not met. An EC may be transferred to a new owner of a building if the City approves the transfer.

Applications for exemption must be approved before rehabilitation work begins.

If you have questions about this incentive or how to take advantage of it, please call DEGC Business Development Intake at (313) 237-4630.

Detroit Economic Growth Corporation

Business Development Team

500 Griswold, Suite 2200

Detroit, Michigan 48226

PHONE 313.963.2940 | FAX 313.963.8839 | decg.org



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