

Commercial Rehabilitation District Applicant Packet

-City of Negaunee-



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Note to applicant, this light bulb indicates an important message or tip that can help you during the application process.

At any time, you may have a question, please contact the Planning and Zoning Administrator for assistance!

City of Negaunee Planning and Zoning

David Nelson, Administrator

12 906-475-7700 ext. 12

dnelson@cityofnegaunee.com



Welcome -Applicant-

Dear Applicant,

You are taking the first steps towards applying for a tax abatement through the City of Negaunee's Commercial Rehabilitation District (CRD) Program. The CRD program is authorized by Michigan Public Act 210 of 2005 which was designed to provide tax relief to commercial sites within communities that designate a CRD.

Under the act, property taxes on new construction, rehabilitation, and/or major improvements to eligible sites can be eliminated over a specified period. Please be aware that abatements will not completely eliminate your property tax bill.

This guide is intended to introduce you to the overall program adopted by the City of Negaunee. It includes the process in applying, applications, forms, and other documents including; useful tips, and technical support. City staff is available to assist you through this process, answer your questions, and support you in achieving a positive outcome.

We invite you to look through this application packet and familiarize yourself with it and its requirements. When you are ready to begin, contact the City Planning and Zoning Department at 906-475-7700 ext. 12, as you will be required to work with them throughout your application process.

Good Luck and thank you for your investment in Negaunee!

Sincerely,

Nate Heffron City Manager



Commercial Rehabilitation District Abatement Policy

General Purpose

Michigan Public Act 210 of 2005, the *Commercial Rehabilitation District Abatement Act*, was adopted by the State of Michigan as a means of providing a stimulus in the form of tax incentives for the rehabilitation of commercial property for the purpose of creating new jobs and maintaining existing jobs. This offers the owners of certain rehabilitated commercial properties located in designated districts a property tax abatement for a period of 1 to 10 years as determined by the local unit of government.

Program Definitions

Commercial Property is defined as qualified facilities that includes a building or group of contiguous buildings of commercial property that are 15 years or older, of which the primary use is the operation of commercial businesses or multifamily residential use. Types of commercial business enterprises may include, but not limited to office, engineering, research and development activities, warehousing, parts distribution, retail sales, and other commercial activities.

Multifamily Residential is defined as housing of two or more units.

<u>A Tax Abatement</u> is a temporary reduction or elimination of property taxes on eligible rehabilitation projects. The Commercial Rehabilitation District freezes the pre-rehabilitated taxable value of the building and exempts new investment from local taxes. The property taxes are based on the previous year's, which is the year prior to the rehabilitation, taxable value. The taxable value is frozen for the duration of the abatement. Abatements may be approved for a term of 1-10 years as determined by the City Council based on specified criteria.

<u>Rehabilitation</u> means changes to a property that are required to restore or modify the property to an economically efficient condition such as improvement of floor loads, correction of excessive or deficient structural height, new or improved fixed building equipment (heating, lighting, and ventilation), improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance, as well as other physical changes.

General Process

The City of Negaunee established their traditional downtown as a Commercial Rehabilitation District in October 2020, to encourage economic development in this targeted geographic area which is considered in need of commercial reinvestment.

Completed applications including State application, Form 4507 are received by the City for review and approval. If the City Council approves an application, it is then forwarded to the State Tax Commission (STC) for further review and approval. Form 4507 Commercial Rehabilitation District Abatement Act is available at michgian.gov and is attached to this document for review.

Goals and Objectives

The primary goals of the City of Negaunee with regard to PA 210 of 2005, the Commercial Rehabilitation District Abatement Act, are to promote beneficial rehabilitation, renovation, or redevelopment of obsolete or vacant property within the City's downtown and provide an atmosphere which will encourage rehabilitation of commercial buildings in its downtown area. The City will evaluate applications for commercial tax abatement under PA 210 using the following goals and objectives:

- 1. The proposed rehabilitation project will enhance the City's tax base, without a significant increase, this type of tax abatement is not possible.
- 2. The proposed rehabilitation project represents a significant improvement to an existing building or redevelopment of an obsolete or vacant property.
- 3. The proposed rehabilitation project will eliminate blight conditions.
- 4. The proposed rehabilitation project is in direct keeping with the character and values of the traditional downtown. Such as multi story, zero lot line, mixed use development with historic or architecturally significant design.
- 5. The proposed rehabilitation project will retain existing jobs and/or create new jobs.
- 6. The proposed rehabilitation project will promote commercial activity. Priority is given to retail uses on the first floor of downtown buildings.
- 7. The proposed rehabilitation project is consistent with the City's Master Plan objectives including the Downtown Development Plan and the City's Economic Development Plan.





Applicant Guidelines

The applicant shall comply with the following criteria at the time of submitting an application for Commercial Rehabilitation District Abatement Certificate:

- 1. The applicant has filed a complete application document (attached) which meets the requirements of PA Act 210, meets all current financial obligations to the City, is in compliance with all applicable federal, state, county, and City codes, and has no pending litigation against the City, including appeals to the Michigan Tax Tribunal.
- 2. The value of the eligible commercial rehabilitation project is \$50,000 or more. The rehabilitation amount may be estimated at the time of application, but must be verified at the time City/County permits have been issued.
- 3. The applicant is willing to execute an Abatement Agreement with the City which shall, at a minimum, include the following:
 - a. That the exemption certificate may be revoked or reduced if the applicant has not substantially complied with the conditions of the abatement with respect to the items described in the application and within the time frame provided.
 - b. In the event that the applicant ceases operation, so that it is no longer employing people, producing goods and no successor employer is providing employment during the term of the abatement then, if less than two years has transpired since the approval of the exemption certificate from the State Tax Commission, 100% of the tax abatement from the local unit shall be repaid by the applicant; if between two and four years have transpired since approval of the exemption certificate by the State Tax Commission, 50% of the tax abatement from the local unit shall be repaid by the applicant; if more than four years have transpired since approval of the exemption certificate by the State Tax Commission, then no funds shall be repayable, however, the exemption certificate may be revoked for any remaining term.
- 4. The applicant agrees to provide City staff with information on its project investment and number of employees as required by the City during the term of the abatement.
- 5. The applicant states in writing that the rehabilitation of the qualified facility, excluding qualified retail food establishments through December 31, 2025, would not be undertaken without the applicant's receipt of the exemption certificate.



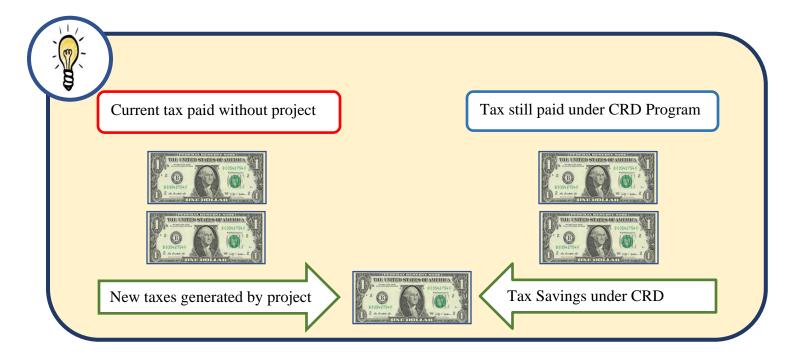
How a CRD Abatement Works

Under Public Act 210 of 2005, a CRD certificate can reduce or eliminate the amount of property taxes paid on new construction, rehabilitation and/or major improvements to eligible commercial sites. While the abatement will not completely eliminate your property tax bill (you will still need to pay taxes on the value of the property before the improvement was made) the tax abatement can help to reduce or eliminate some property taxes for up to 10-years.

This works by freezing the State Equalized Value (SEV) of your property. The SEV determines what your property taxes will be each year. After a new construction, rehabilitation and/or major improvement, the SEV increases. Under the CRD, this increase would not go onto your tax bill until your abatement expires.

Here's an example: Your property tax is currently \$2000 per year. You undergo new construction, rehabilitation and/or major improvements on your property. Without the CRD your new tax would be \$4000 per year, an additional \$2000. With the CRD the additional \$2000 may be abated to help pay for part of the project. In total, this example could save you \$20,000 if granted for the full 10-years.

Please note, in some cases, projects will not be granted the full 10-years. This will be determined according to the scoring criteria when your project is reviewed and approved by City Council.



Commercial Rehabilitation District Flow Chart

Application for Commercial Rehabilitation District (CRD) abatement is a multi-step process, including final approval by the State Tax Commission. The property will not receive tax benefits until approved by the State Tax Commission. The following actions are necessary for receipt of a tax exemption certificate:



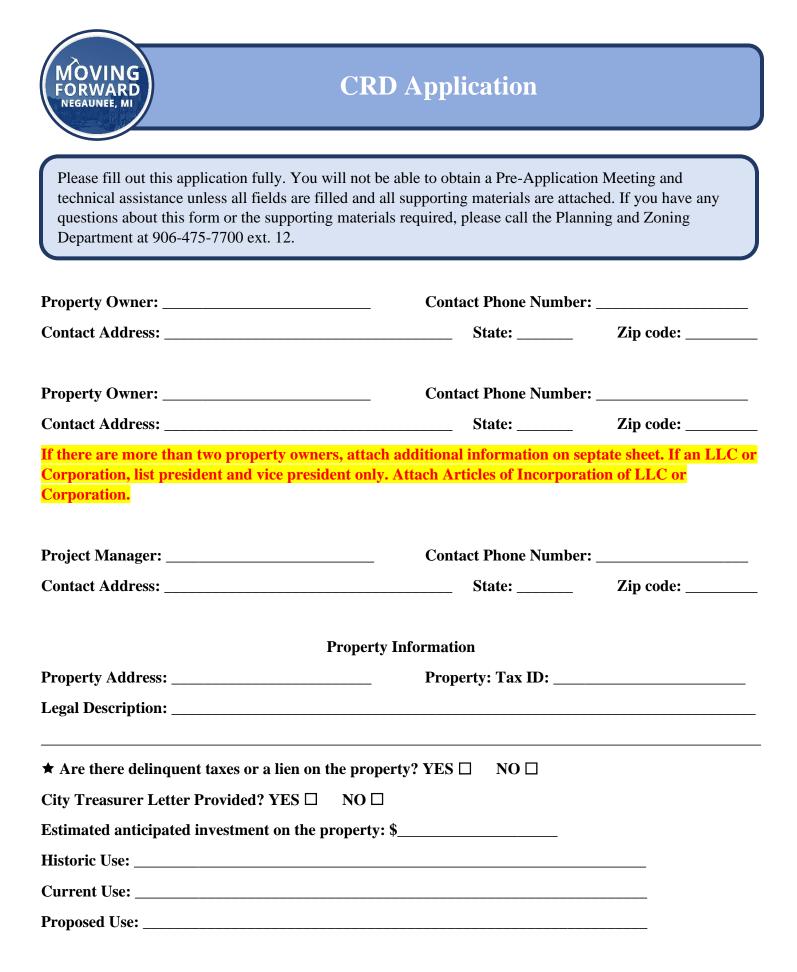
CRD Requirements for Eligibility

The following requirements must be met for a project to be eligible for a tax abatement under the Negaunee Commercial Rehabilitation District Program. These requirements, along with other factors will be used to determine the number of years a tax abatement may be granted.

Requirements

- ✓ The project must have a minimum total investment of at least \$50,000.00
- ✓ The commencement of the rehabilitation of the qualified facility does not occur earlier than six months before the applicant files the application for the Commercial Rehabilitation Exemption Certificate.
- ✓ The proposed rehabilitation meets the definition of a qualified facility under PA 210 of 2005, as amended and is located within a commercial rehabilitation district.
- ✓ Completion of the proposed rehabilitation can be reasonably expected to increase commercial activity, create employment, retain employment, prevent a loss of employment, revitalize urban areas, or increase the number of residents within the area.
- ✓ The applicant has provided a statement in writing that the proposed rehabilitation would not be undertaken without the approval of the exemption certificate.
- ✓ The applicant is not delinquent or in default in payments to the City. Applicant must provide letter from the City Treasurer that indicates this.
- ✓ The project must create or retain jobs directly, or indirectly at the location.

Please contact the Planning and Zoning Administrator to set up a Discovery Meeting to determine if you are eligible for the CRD Program, or other funding assistance at 906-475-7700 ext. 12 or dnelson@cityofnegaunee.com.



Required Attachments

★Provide an aerial photo of property; you may use a capture of a Google map. ATTACHED □

★Provide a historic photo of property, anything over 50 years old. ATTACHED □

★Provide a current photo of property. ATTACHED □

★Provide copy of property title: ATTACHED □

★Provide a copy of a business plan (new or expanded business): ATTACHED □ (If Applicable)

★Provide a copy of renderings: ATTACHED □

★Proof of financing from lender or financial institution: ATTACHED □ (If Applicable)

★Provide all County Permits for project: ATTACHED
(Ask before obtaining permits)

\star In narrative form, 500 words or less, provide the following: ATTACHED \Box

(a) General description of the rehabilitated facility's proposed use;

(b) A detailed description of the general nature and extent of the rehabilitation to be undertaken;

(c) A general description of the facility (including year built, original use, most recent use, number of stories, square footage).

\star Provide a descriptive list of the fixed building equipment that will be a part of the rehabilitated facility: ATTACHED \Box

★A time schedule for undertaking and completing the facility's rehabilitation: ATTACHED □

★A statement of economic advantages expected from the exemption (list form): ATTACHED □

★A contractor's bid or itemized list of costs matching the investment amount reported on the box titled Estimated Cost of Rehabilitation on the first page of the application: ATTACHED □

Definitions and Troubleshooting

Aerial photo- Image captured of the property looking down, commonly from an aircraft, drone, or satellite. Applicants may use photos captured of their property from Google Maps, or other online source as an appropriate submission.

Historic photo-Front profile of the building to be improved from date of construction or photo that is 50-years or older of building.

Current photo- Photo of front profile of building that is no older than 6-months when application is submitted. Provide additional profiles of building if they are to be included in this project i.e., sides and rear.

Letter of Request for Technical Assistance- Letter requesting technical assistance from the City when filing for a Commercial Rehabilitation Tax Abatement Certificate.

Business plan-Prepared business plan that is from a legitimate source. A list of firms or agencies can be obtained from the Planning and Zoning Administrator.

Renderings -Drawings and/or sketches of proposed finished project.

Floor plans or blueprints- Reproduction of a technical drawing or engineered drawings of the project that is created by a licensed engineer or architect.

Site plan- Drawing used by architects, landscape architects, urban planners, and engineers which shows existing and proposed conditions for a given area, typically a parcel of land which is to be modified

Fixed building equipment- Is equipment attached or fastened to a building. Examples of fixed equipment are: fume hoods, counters, carpeting, dishwashers, building renovations, security systems, ventilation, and lighting

Time schedule- Outlines each step that should be completed by a specific date before the next step can be taken

(1) Contractor's bid or (2) itemized list of costs- (1) Proposal to undertake, or manage the undertaking of a construction project. (2) A list of costs, by category or item to complete the project, such as labor, materials, etc.

Additional Requirements if Seeking MEDC As	sistance Programs
★Third Party Cost Estimates	ATTACHED 🗆
★Ownership Structure Organizational Chart	ATTACHED 🗆
★Proof of All Funding Sources, Including Local Support	ATTACHED 🗆
★Proforma (For CRP And Brownfield TIF)	ATTACHED 🗆
★Site Control Docs (Proof of Ownership, Pa, Or Option)	ATTACHED 🗆
★ Market Proof (of need and of rental revenue expectations)	ATTACHED 🗆
★Draft Act 381 Work Plan (For Any Brownfield TIF Requests)	ATTACHED 🗆



The Following Document must be reviewed with the applicant and must be signed in order to advance a CRD application or MEDC project through the City of Negaunee

Statement of Understanding

The applicant whose name is affixed to this document, whom either represents themselves or is an authorized agent working on behalf of an entity seeking technical assistance from the City of Negaunee, has read and affirms an understanding of the following:

1) The City of Negaunee is offering technical assistance free of charge to the applicant in an attempt to obtain a Commercial Rehabilitation District Tax Abatement Certificate and/or obtain assistance through a Michigan Economic Development Corporation ("MEDC") program. This assistance is not a guarantee or promise that the applicant will obtain any such certificate through the City of Negaunee or funds through the MEDC.

2) In order for the applicant to advance any application through a MEDC program, local support from the City of Negaunee is required. All applications for MEDC funding shall originate with the City of Negaunee prior to submission to MEDC. The City of Negaunee will not provide local support unless the applicant has undertaken the process in this packet, and/or the City of Negaunee MEDC Technical Assistance packet. Including CDBG applications the city is the applicant.

3) The applicant must provide certain confidential documentation and assurances to the City of Negaunee as part of an application. The City of Negaunee will endeavor to keep such information confidential prior to any required disclosure. The City of Negaunee, however, makes no promises or guarantees as to the disclosure of any confidential information provided by the applicant.

4) All physical work on the proposed project will have to cease during the application process, unless such work is necessary to preserve the integrity of the subject property (e.g., broken windows, roof/water leaks, furnace repairs).

5) If the subject property is improved in any way prior to application for a Commercial Rehabilitation District Tax Abatement and/or funding through the MEDC, such improvements may jeopardize the ability of the applicant to take full advantage of financial benefits of a Tax Abatement and/or render the applicant ineligible for funding through the MEDC. Therefore, it is advised that applicant seek approval from all involved parties before conducting any work not specifically required to protect the integrity of the property.

6) Michigan Public Act 201 of 2005 (MCL 207.841 *et seq.*) restricts all eligible expenses and improvements to any project undertaken to six (6) months prior to the application for a Commercial Rehabilitation District Tax Abatement Certificate. Such activities completed outside of the six-month period shall not be considered for abatement purposes.

7) MEDC funding is based on need, and will not and cannot be used for reimbursement of work completed during the application process or prior to receiving any grant award and may render the applicant ineligible for MEDC project funding. It is the applicant's duty to remain in contact with the MEDC at all times relevant to the application.

8) By accepting assistance from the City of Negaunee in pursuing a Commercial Rehabilitation District Tax Abatement Certificate or a MEDC grant, the applicant agrees and accepts all risks, known or unknown, and further agrees to indemnify and hold harmless the City of Negaunee for any and all damages or injuries that may arise to the subject property or during the application process.

9) The applicant may withdraw from the application process at any time.

Signature of Applicant	_ Dated:	
Printed name		
Title		
City of Negaunee	Dated:	
Planning and Zoning Administrator		



Congratulations on choosing to Move Forward with the application process. During this step you will need to complete all of the necessary forms and provide documentation that the State of Michigan Requires through PA 210 of 2005. You have already gone through the eligibly requirements checklist in your Discovery Meeting. You will now need to complete parts 1,2, and 3 of State Form 4507. Upon completion, please submit these documents for a Technical Review Meeting (TRM) to the Planning and Zoning Department.

The following information below is provided to help assist you in filling out Form 4507.



Technical Assistance Tips: Form 4507 Part 1

Projected Project Outcome box- Check all the boxes in this section that apply. This includes (1) increase of commercial activity; (2) retention of employment; (3) revitalization of an urban area; (4) creation of employment; (5) prevention of loss of employment; (6) increases the number of residential units in facility's community.

(1) **Increase of commercial activity**-Means improvement to current commercial space that will allow for additional services or can provide increased customer traffic; or additional commercial space will be added to provide for new commercial activities.

(2) **Retention of employment**: Means the proposed project will more than likely help to retain the current employment levels associated with commercial space.

(3) **Revitalization of an urban area**-Means the proposed project will take a distressed building or property, or vacant building or property, or otherwise; blighted, or functionally obsolete property; and repurposes such property for functional use under all applicable codes, as well as increase the SEV of the property and contributes economically to the surrounding community.

(4) **Creation of employment-** Project will add new and sustainable employed individuals to the current rolls or new commercial space for employment opportunities.

(5) **Prevention of loss of employment**- Project will assist in the loss of employment due to factor associated with the property if the project were not to take place.

(6) **Increases number of residential units in facility's community**-Project will increase the number of residential units by at least one unit.



Technical Assistance Tips: Form 4507 Part 2

Prepare and Attach the Following Items Box-Check all the boxes as you prepare and gather your documentation. Attach these documents to the application. Please note, your application will not be processed unless these items are attached to the application. These items include; (1) general description of the facility, (2) description of the qualified facility's proposed use; (3) description of the general nature and extent of the rehabilitation to be undertaken, (4) descriptive list of the fixed building equipment that will be part of the qualified facility, (5) Time schedule for the undertaking and completion of the facility's rehabilitation, (6) Statement of the economic advantages expected from the exemption, and (7) legal description.

These items should be in narrative form. An engineer, architect, or project manager can guide you through this process. This narrative should relay what your project plans, renderings and floor plans imply.

(1) **General description of the facility**- include a general description of the status and current condition of the facility where the project is to take place. Examples include former uses, status of utilities, status of heating elements, status of conditions in general (floors, walls, ceilings, carpeting, doors, and windows), and ADA accessibility.

(2) **Description of the qualified facility's proposed use**- Describe what the facility will be used for once the project is complete. Retail space, housing, food establishment, etc.

(3) **Description of the general nature and extent of the rehabilitation to be undertaken**- Be as specific as possible.

4) **Descriptive list of the fixed building equipment that will be part of the qualified facility**-Provide a list of fixed equipment that will be part of this project. Fixed equipment is defined as, equipment that is a component of the building, that without it, could not be occupied used for its intended use (central air/heating, hot water tank, dishwasher, commercial equipment etc.).

(5) **Time schedule for the undertaking and completion of the facility's rehabilitation**-Provide a timeline from start to finish of the proposed project.

(6) **Statement of the economic advantages expected form the exemption**-Provide the need for the abatement exemption. Explain why this project would not take place without the exemption certificate. This may be supplemented with a letter for assistance.

(7) Legal description-Provide the legal property description of the proposed project.

Technical Assistance Tips: Form 4507 Part 3

Applicant Certification section- This section is simple, but important. The authorized company officer who signs this portion of the application is certifying that the information, to the best of their knowledge, as well as the information herein the application and attached documents, exhibits, and other documentation is truly representative of the property for which the application is being submitted.

Please note, that as part of the application process, upon receipt of the TRM request to the Planning and Zoning Department, a scheduled walk-through of the site will take place to verify the supporting documentation of the project application and must be certified before the project can be submitted to the City Clerk.

All project components must be verifiable and in full compliance of Public Act 210 of 2005.



Helpful Contacts

Technical Review Meeting Request Form

Applicant must fill out the information below to request a Technical Review Meeting with the Planning and Zoning Administrator. Please note, the CRD Application, along with all supporting documentation listed on the application must accompany this request form. This form must be filed with the Planning and Zoning Administrator.

Date: _____

Applicant Name: _____

Applicant Address: _____

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Applicant Project: _____

I the Applicant above, request a Technical Review Meeting with the City of Negaunee. I understand that my project cannot be received in full by the City until this meeting occurs and I have been issued a Technical Review Meeting Certificate. I further understand that a certificate will not be issued unless my project has been fully vetted by the City.

Signature

Signature

Technical Review Meeting Certificate

Date: _____

I, the undersigned below, do attest, that the named applicant above has successfully fulfilled the application requirements of the City of Negaunee's Commercial Rehabilitation District Program. This certificate entitles the applicant to submit their full application and supporting materials to the Negaunee City Clerk.

Planning and Zoning Admin.



Technical Review Meeting Checklist

Applicant Name

Date: _____



Complet	ed City of Negaunee CRD Application.
Complet	ed Department of Treasury application Form 4507.
Statemen	it that the applicant is not delinquent in any taxes or has a lien on property provided
Aerial p	noto of property provided.
Historic	photo of property provided.
Current	photo of property provided.
Copy of	property title provided.
Copy of	a business plan (<mark>if new or expanded business</mark>) provided.
Renderi	ngs provided.
County]	Permits for project provided.
	MEDC Documents
	Provide if seeking MEDC funding
Third Pa	rty Cost Estimates provided.
Ownersh	p Structure Organizational Chart provided.
Proof of A	All Funding Sources, Including Local Support provided.
Proforma	(For CRP And Brownfield TIF) provided.
Site Cont	rol Docs (Proof of Ownership, Pa, Or Option) provided.
Draft Act	381 Work Plan (For Any Brownfield TIF Requests) provided.
	roof (of need and of rental revenue expectations) provided.