



301 W. MAIN • OWOSSO, MICHIGAN 48867-2958 • (989) 725-0599 • FAX (989) 723-8854

MEMORANDUM

DATE: August 5, 2016

TO: Mayor Benjamin Frederick, City Council, and Manager Don Crawford

FROM: Larry Cook, Assessor

RE: Obsolete Property Rehabilitation District – 344 W. Main Street

The city clerk received applications for a Tax Abatement under city policy and an Obsolete Property Rehabilitation Act (OPRA) exemption, from DRHP, LLC, owners of 344 W. Main Street. The project proposes to completely renovate the building with 11 new apartments and 8600 square feet of commercial space. The creation of an OPRA District is the first step in the process and must be in place before any work can commence on the property.

The description of the district being requested is:

LOTS 10 THRU 15 AND WEST 132 FEET OF LOT 8 AND WEST 132 FEET' OF THE SOUTH 18 FEET OF LOT 7, BLOCK 6, LUCY L COMSTOCKS ADDITION TO CITY OF OWOSSO, INCLUDING THE WEST 132 FEET OF CLOSED ALLEY

Within the Obsolete Property Rehabilitation Act (OPRA) rehabilitation is defined as:
.....changes to obsolete commercial property as may be required to restore the property to an economically efficient condition. Rehabilitation includes major renovation and modification including but not necessarily limited to, improvement to floors, correction of deficient or excessive height, new or improved building equipment such as heating ventilation and lighting, improved roof structures and cover, improved wall placement, improved exterior and interior appearance of buildings and other physical changes.

For a rehab facility, the OPRA freezes the taxable value of the building at its value prior to the rehab, and the frozen value and the rehab values are taxed at an adjusted tax rate. Land and personal property cannot be abated under this act and the exemption certificate cannot exceed 12 years. If a certificate is approved by the local unit, the State Tax Commission has 60 days to approve or disapprove the application.

The qualifications for an Obsolete Property Rehabilitation District for this property are found in 125.2783 Section 3, (1), of the Obsolete Property Rehabilitation Act as follows:

- (1) *A local governmental unit, by resolution of its legislative body, may establish a commercial redevelopment district, which may consist of 1 or more parcels or tracts of land or a portion thereof, if at the time of adoption of the resolution the property within the district is any of the following:*
 - (a) *Obsolete property in an area characterized by obsolete commercial property or commercial housing property.*
 - (b) *Commercial property that is obsolete property that was owned by a qualified local governmental unit on the effective date of this act, and subsequently conveyed to a private owner.*

The following excerpts from STC Bulletin No. 9 of 2000 may help guide and define these requirements.

"Obsolete property" means commercial property or commercial housing property, that is 1 or more of the following:

(i) *"Blighted property". Blighted property means property that meets 1 or more of the following criteria:*

- i. *Has been declared a nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance.*
- ii. *Is an attractive nuisance to children because of physical condition, use, or occupancy.*
- iii. *Is a fire hazard or is otherwise dangerous to the safety of persons or property.*
- iv. *Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.*
- v. *Is tax reverted property owned by a qualified local governmental unit, by a county, or by this state. The sale, lease, or transfer of tax reverted property by a qualified local governmental unit, county, or this state after the property's inclusion in a brownfield plan shall not result in the loss to the property of the status as blighted property for purposes of PA 145 of 2000. (See MCL 125.2652)*

(ii) *A facility as that term is defined below:*

"Facility" as defined in PA 451 of 1994 means any area, place, or property where a hazardous substance in excess of the concentrations which satisfy the requirements of section 20120a(1)(a) or (17) or the cleanup criteria for unrestricted residential use under part 213 has been released, deposited, disposed of, or otherwise comes to be located. Facility does not include any area, place, or property at which response activities have been completed which satisfy the cleanup criteria for the residential category provided for in section 20120a(1)(a) and (17) or at which corrective action has been completed under part 213 which satisfies the cleanup criteria for unrestricted residential use. (See MCL 324.20101)

(iii) Functionally obsolete.

"Functionally obsolete" means that the property is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or superadequacies in design, or other similar factors that affect the property itself or the property's relationship with other surrounding property. (See MCL 125.2652)

Note: The STC offers the following as examples of functional obsolescence:

- 1) *A floor plan which is inappropriate for the highest and best use of the property.*
- 2) *A heating system which is inadequate for the highest and best use of the property.*
- 3) *Excessively high or low ceilings for the highest and best use of the property.*
- 4) *Partition walls which restrict the highest and best use of the property.*
- 5) *Mechanical systems (e.g. electrical, plumbing, etc) which are inadequate for the highest and best use of the property.*

If council determines this district meets the requirements of the act and is found to be beneficial to the city, a public hearing must be set in accordance with laws of the State of Michigan and the open meetings act and notification by certified mail to the owner(s) of property within the proposed district.

Attached is a map of the proposed district along with a copy of the application for the Obsolete Property Rehabilitation Exemption.

As always, if there are any questions, please feel free to contact me at (989) 725-0530.

**RESOLUTION SETTING PUBLIC HEARING TO CONSIDER ESTABLISHING AN OBSOLETE
PROPERTY REHABILITATION DISTRICT COMMONLY KNOWN AS
344 WEST MAIN STREET**

WHEREAS, request was received August 3, 2016 for an Obsolete Property Rehabilitation Act (OPRA) exemption along with an Application for Tax Abatement from DRHP, LLC, owners of 344 W. Main Street; and

WHEREAS, an Obsolete Property Rehabilitation District needs to be established and described as:

LOTS 10 THRU 15 AND WEST 132 FEET OF LOT 8 AND WEST 132 FEET OF THE SOUTH 18 FEET OF LOT 7, BLOCK 6, LUCY L COMSTOCKS ADDITION TO CITY OF OWOSSO, INCLUDING THE WEST 132 FEET OF CLOSED ALLEY; and

WHEREAS, the Obsolete Property Rehabilitation Act, Act 146 of 2000, is available to the city of Owosso; and

WHEREAS, the act permits the city of Owosso to establish a Obsolete Property Rehabilitation District; and
WHEREAS, a Obsolete Property Rehabilitation District may consist of one or more parcels of land; and

WHEREAS, it must be determined that the district must consist of obsolete commercial property or commercial housing property as defined in 125.2782, Section 2 (h) of Act 146 of 2000; and

WHEREAS, it must be determined that establishing the district would be beneficial to the city of Owosso, as well as local and regional economy;

NOW, THEREFORE, BE IT RESOLVED by the city council of the city of Owosso, Shiawassee County, Michigan that:

- FIRST: the Owosso City Council sets public hearing for September 6, 2016 at or about 7:30 p.m. in the council chambers for the purpose of hearing comments from those within the proposed district, and any other resident or taxpayer, of the city of Owosso; and
- SECOND: the city clerk gives the notifications as required by law; and
- THIRD: the city staff is directed to investigate and determine if the qualifications of the act are satisfied and report findings at the hearing.

Application for Obsolete Property Rehabilitation Exemption Certificate

This form is issued as provided by Public Act 146 of 2000, as amended. This application should be filed after the district is established. This project will not receive tax benefits until approved by the State Tax Commission. Applications received after October 31 may not be acted upon in the current year. This application is subject to audit by the State Tax Commission.

INSTRUCTIONS: File the original and two copies of this form and the required attachments with the clerk of the local government unit. (The State Tax Commission requires two copies of the Application and attachments. The original is retained by the clerk.) Please see State Tax Commission Bulletin 9 of 2000 for more information about the Obsolete Property Rehabilitation Exemption. The following must be provided to the local government unit as attachments to this application: (a) General description of the obsolete facility (year built, original use, most recent use, number of stories, square footage); (b) General description of the proposed use of the rehabilitated facility, (c) Description of the general nature and extent of the rehabilitation to be undertaken, (d) A descriptive list of the fixed building equipment that will be a part of the rehabilitated facility, (e) A time schedule for undertaking and completing the rehabilitation of the facility, (f) A statement of the economic advantages expected from the exemption. A statement from the assessor of the local unit of government, describing the required obsolescence has been met for this building, is required with each application. Rehabilitation may commence after establishment of district.


Applicant (Company) Name (applicant must be the OWNER of the facility) D.R. & H.P., L.L.C		
Company Mailing address (No. and street, P.O. Box, City, State, ZIP Code) 313 S WASHINGTON SQUARE LANSING MI 48933		
Location of obsolete facility (No. and street, City, State, ZIP Code) 344 W. Main Street, Owosso, MI 48867		
City, Township, Village (indicate which) City of Owosso		County Shiawassee
Date of Commencement of Rehabilitation (mm/dd/yyyy) 2/01/2017	Planned date of Completion of Rehabilitation (mm/dd/yyyy) 5/01/2018	School District where facility is located (include school code) 78110 - OWOSSO SCHOOLS
Estimated Cost of Rehabilitation 2,000,000	Number of years exemption requested 12	Attach Legal description of Obsolete Property on separate sheet Attached
Expected project likelihood (check all that apply):		
<input checked="" type="checkbox"/> Increase Commercial activity	<input type="checkbox"/> Retain employment	<input checked="" type="checkbox"/> Revitalize urban areas
<input checked="" type="checkbox"/> Create employment	<input type="checkbox"/> Prevent a loss of employment	<input checked="" type="checkbox"/> Increase number of residents in the community in which the facility is situated
Indicate the number of jobs to be retained or created as a result of rehabilitating the facility, including expected construction employment _____		
Each year, the State Treasurer may approve 25 additional reductions of half the school operating and state education taxes for a period not to exceed six years. Check the following box if you wish to be considered for this exclusion. <input type="checkbox"/>		

APPLICANT'S CERTIFICATION

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all of the information is truly descriptive of the property for which this application is being submitted. Further, the undersigned is aware that, if any statement or information provided is untrue, the exemption provided by Public Act 146 of 2000 may be in jeopardy.

The applicant certifies that this application relates to a rehabilitation program that, when completed, constitutes a rehabilitated facility, as defined by Public Act 146 of 2000, as amended, and that the rehabilitation of the facility would not be undertaken without the applicant's receipt of the exemption certificate.

It is further certified that the undersigned is familiar with the provisions of Public Act 146 of 2000, as amended, of the Michigan Compiled Laws; and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local unit of government and the issuance of an Obsolete Property Rehabilitation Exemption Certificate by the State Tax Commission.

Name of Company Officer (no authorized agents) David R. Russell	Telephone Number 517.371.8150	Fax Number 517.367.7150
Mailing Address 313 S. Washington Square, Lansing, MI 48933		Email Address drussell@fosterswift.com
Signature of Company Officer (no authorized agents) 		Title

LOCAL GOVERNMENT UNIT CLERK CERTIFICATION

The Clerk must also complete Parts 1, 2 and 4 on Page 2. Part 3 is to be completed by the Assessor.

Signature 	Date application received 08/04/16
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FOR STATE TAX COMMISSION USE

Application Number	Date Received	LUCI Code
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LOCAL GOVERNMENT ACTION

This section is to be completed by the clerk of the local governing unit before submitting the application to the State Tax Commission. Include a copy of the resolution which approves the application and Instruction items (a) through (f) on page 1, and a separate statement of obsolescence from the assessor of record with the State Assessor's Board. All sections must be completed in order to process.

PART 1: ACTION TAKEN

Action Date: _____		
<input type="checkbox"/> Exemption Approved for _____ Years, ending December 30, _____ (not to exceed 12 years)		
<input type="checkbox"/> Denied		
Date District Established	LUCI Code	School Code

PART 2: RESOLUTIONS (the following statements must be included in resolutions approving)

<p>A statement that the local unit is a Qualified Local Governmental Unit.</p> <p>A statement that the Obsolete Property Rehabilitation District was legally established including the date established and the date of hearing as provided by section 3 of Public Act 146 of 2000.</p> <p>A statement indicating whether the taxable value of the property proposed to be exempt plus the aggregate taxable value of property already exempt under Public Act 146 of 2000 and under Public Act 198 of 1974 (IFT's) exceeds 5% of the total taxable value of the unit.</p> <p>A statement of the factors, criteria and objectives, if any, necessary for extending the exemption, when the certificate is for less than 12 years.</p> <p>A statement that a public hearing was held on the application as provided by section 4(2) of Public Act 146 of 2000 including the date of the hearing.</p> <p>A statement that the applicant is not delinquent in any taxes related to the facility.</p> <p>If it exceeds 5% (see above), a statement that exceeding 5% will not have the effect of substantially impeding the operation of the Qualified Local Governmental Unit or of impairing the financial soundness of an affected taxing unit.</p> <p>A statement that all of the items described under "Instructions" (a) through (f) of the Application for Obsolete Property Rehabilitation Exemption Certificate have been provided to the Qualified Local Governmental Unit by the applicant.</p>	<p>A statement that the application is for obsolete property as defined in section 2(h) of Public Act 146 of 2000.</p> <p>A statement that the commencement of the rehabilitation of the facility did not occur before the establishment of the Obsolete Property Rehabilitation District.</p> <p>A statement that the application relates to a rehabilitation program that when completed constitutes a rehabilitated facility within the meaning of Public Act 146 of 2000 and that is situated within an Obsolete Property Rehabilitation District established in a Qualified Local Governmental Unit eligible under Public Act 146 of 2000 to establish such a district.</p> <p>A statement that completion of the rehabilitated facility is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to, increase commercial activity, create employment, retain employment, prevent a loss of employment, revitalize urban areas, or increase the number of residents in the community in which the facility is situated. The statement should indicate which of these the rehabilitation is likely to result in.</p> <p>A statement that the rehabilitation includes improvements aggregating 10% or more of the true cash value of the property at commencement of the rehabilitation as provided by section 2(l) of Public Act 146 of 2000.</p> <p>A statement of the period of time authorized by the Qualified Local Governmental Unit for completion of the rehabilitation.</p>
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PART 3: ASSESSOR RECOMMENDATIONS

Provide the Taxable Value and State Equalized Value of the Obsolete Property, as provided in Public Act 146 of 2000, as amended, for the tax year immediately preceding the effective date of the certificate (December 31st of the year approved by the STC).

	Taxable Value	State Equalized Value (SEV)	
Building(s)			
Name of Governmental Unit		Date of Action on application	Date of Statement of Obsolescence

PART 4: CLERK CERTIFICATION

The undersigned clerk certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way. Further, the undersigned is aware that if any information provided is untrue, the exemption provided by Public Act 146 of 2000 may be in jeopardy.

Name of Clerk	Clerk Signature	Date	
Clerk's Mailing Address	City	State	ZIP Code
	Telephone Number	Fax Number	Email Address

Mail completed application and attachments to: Michigan Department of Treasury
 State Tax Commission
 P.O. Box 30471
 Lansing, Michigan 48909-7971

If you have any questions, call (517) 373-2408.

For guaranteed receipt by the State Tax Commission, it is recommended that applications and attachments are sent by certified mail.

OPRA Site and Project Summary
D.R. & H.P., L.L.C.
344 West Main Street
Owosso, Michigan

General Description of the Obsolete Facility (year built, original use, most recent use, number of stories, square footage)

The property is comprised of one parcel of land on 0.66 acres located in downtown Owosso. Based on a review of historical documentation, the property was developed as early as 1884. The use of the Property at this time could not be identified, however, between 1915 and 1924, the structure along the eastern Property boundary was demolished and replaced with a filling station. In 1930, the structure located on the western portion of the Property was demolished and the current structure was erected. Since its construction, this building has operated as an automobile dealership, plumbing and heating store, hardware sales, and currently a Dollar General store. The filling station that was present along the eastern Property boundary was demolished in the early 1980s, and the parcel boundaries were redefined to no longer include this area as part of the Property. The building was most recently a Dollar General on the first floor with 9 apartments on the upper stories. The building is two stories and 17,156 square feet.

General description of the proposed use of the rehabilitated facility

The project proposes a mixed-use redevelopment with 11 new apartments and 8,602 square feet of commercial space.

Description of the general nature and extent of the rehabilitation to be undertaken

- Lead and asbestos abatement,
- Interior demolition,
- New interior construction of (11) residential living units and approximately 8,602 square feet of commercial space to be white boxed.
- All new fixed building equipment, including heating, ventilation, lighting, mechanical, and fixtures, improved roof structure, structural wall and floor replacement, etc.
- Physical upgrades to the building exterior, including windows and tuck pointing
- Site improvements including utility relocation, new and improved entrance, curb and gutter, parking and landscaping.

A description list of the fixed building equipment that will be part of the rehabilitated facility

Heating, ventilation, lighting, mechanical, and fixtures, improved roof structure, structural wall and floor replacement.

Time schedule for undertaking and completing the rehabilitation

July 2016- Submit OPRA request/ Site Plan Review

July-August 2016- Finalize costs, secure financial lender

September 2016- Submit Pre-application materials for MEDC CDBG Grant. OPRA taken to Council

October-December 2016- CDBG Environmental review

February 2017- Begin Construction

May 2018- Complete Construction

Statement of the economic advantages expected from the exemption

Project will redevelop a functionally obsolete, blighted, vacant building in the downtown. Once complete, 11 new, high quality, fair market apartments will drive foot traffic in the downtown and support local businesses. In addition, the high quality commercial space will provide the opportunity for a new business to locate in Owosso or for an existing business to expand. The redevelopment will contribute in the long term to increased taxes and property value stabilization for the city of Owosso.

Legal Description

LOTS 10 THRU 15 W 132' LOT 8 W 132' OF S 18' LOT 7 BLK 6 LUCY L COMSTOCKS ADD INCL W 132' CLSD ALLEY