



# Commercial Redevelopment Act

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## OVERVIEW

The Commercial Redevelopment Tax Abatement is an incentive used to encourage the renovation and expansion of aging facilities and assist in the building of new commercial facilities. The act provides a tax exemption for property of which the primary purpose is the operation of a commercial business enterprise. Mixed-use developments may be eligible, but the abatement will apply only to the commercial portion of the property. The advantage to the taxpayer is a savings on property taxes.

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## TAX IMPACT

For a restored facility, the tax exemption freezes the taxable value of the building at the current value for the local taxes for up to 12 years, exempting from local property tax all real property improvements. For a new facility, the tax exemption provides a 50% reduction in the number of mills levied, excluding only State Education Taxes.

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## POLICY AND ELIGIBILITY CRITERIA

- Applicant must own 75% of the state equalized value of the commercial property located within a proposed commercial redevelopment district
- Applicant must demonstrate that “but for” the abatement the project is not financially feasible
- The approval of an abatement must provide a net positive revenue gain to the city
- Project is consistent with the city’s comprehensive plans, applicable corridor strategies or other strategic initiatives including hiring and procurement plans
- A replacement facility means commercial property to be acquired, constructed, altered, or installed for the purpose of being substituted for obsolete commercial property
- A restored facility means changes to obsolete commercial property as may be required to restore the property to an economically efficient condition
- The property within the district must have been zoned commercial or industrial before June 21, 1975

Receiving a PA 255 tax abatement is a two-step process; first a PA 255 District must be established before initiating a project and only then can a PA 255 Certificate be awarded. Work on the project may not begin before the establishment of the district.

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## DISTRICT PROCESS

1. Project scoping, evaluation and statutory review meeting with DEGC
2. Application intake and financial review: Applicant submits project narrative and project financials to DEGC for underwriting and to determine economic and fiscal impacts
3. DEGC presents the project and recommendation to City officials for consideration
4. Applicant submits letter requesting the establishment of the PA 255 District to City of Detroit Clerk’s Office
5. City departments draft supporting reports and documentation
6. Detroit City Council holds a public hearing and adopts a resolution establishing the district

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## CERTIFICATE APPLICATION PROCESS

1. Owner of the qualified property within the district files an application for a PA 255 Certificate with the City of Detroit Clerk’s Office (State of Michigan form 4757)
2. Tax Abatement Agreement is developed and signed by the Applicant
3. City Council holds public hearing and adopts resolution to approve the Certificate