



# **Commercial Facilities Tax Abatement Programs**

## **POLICY AND PROCEDURES**

Adopted by City Council  
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**CITY OF WIXOM**  
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**TABLE OF CONTENTS**

**1. CITY'S POLICY AND PROCEDURES**

- a. Introduction page 3-4
- b. Objectives and Policy Regarding Commercial Tax Abatements page 5-6
- c. Application Procedures page 7-8

## **INTRODUCTION**

Since incorporation in 1957, the City of Wixom has recognized that the growth and retention of local businesses and the attraction of new businesses to the City is crucial to maintaining a vibrant and well-balanced community with the financial resources to provide a high level of service to all City property owners. In this regard, the Wixom City Council has chosen to offer firms considering a significant investment in the City, the opportunity to request and be considered for the partial abatement of the property taxes associated with their proposed investment for a defined number of years. The opportunity for the City to provide tax abatement to industrial firms was enabled by the passage of Public Act 255 of 1978, and by Public Act 210 of 2005. To support growth and development in the City, to assure that the City continues to derive adequate financial resources to maintain a high level of service to its residents, and in an effort to protect the natural environment and the quality of life in the community, the following policy and procedures have been developed and approved by the Wixom City Council.

### **Commercial Redevelopment Act (P.A. 255 of 1978)**

To be eligible for a Commercial Redevelopment Exemption a project must be restoration of existing facility or replacement/new facility that meets all of the following conditions:

- Located on property zoned to allow for mixed-use
- Located in a DDA
- Walkable, with sidewalks and streetscape

To be eligible, property within the district must meet one of the following conditions:

- Obsolete commercial property or cleared, vacant land, zoned commercial by 6/21/75 with a decline in commercial activity
- Land cleared as a result of fire damage or blight
- Cleared/vacant land in a DDA development plan
- The general ad valorem taxes may **not** be abated for the following types of property under P.A. 255:
  - Land
  - Property of a Public Utility
  - Housing, except that portion of a building containing non-housing commercial activity
  - Financial organizations

Abatement for period of 1-12 years; may be set for less than 12 years and extended thereafter; taxes (included local school and SET) frozen on restored facilities; 50% reduction (excluding SET) on new/replacement facilities; land cannot be abated.

### **Commercial Rehabilitation Act (P.A. 210 of 2005)**

To be eligible for a Commercial Rehabilitation Exemption, a project must be a qualified facility that includes a building or group of contiguous buildings of commercial property that is 15 years or older, of which the primary purpose is the operation of a commercial business enterprise or multifamily residential use. A qualified facility may also include vacant property or other commercial property which, within the immediately preceding 15 years, was commercial property. Types of commercial business enterprises include:

- Office, engineering, research and development
- Warehousing, parts distribution, retail sales, and other commercial activities.
- Multi-family residential is housing that consists of five or more units.
- Commercial properties allocated new market tax credits are also considered a qualified facility.

Abatement period of 1-10 years; may be set for less than 10 years and extended thereafter; taxes (excluding local school and SET) frozen on qualified facilities.

It is **highly** recommended than any one considering to apply for a commercial tax abatement under either P.A. 255 or P.A. 210 carefully review the Frequently Asked Questions sheets provided by the State of Michigan to ensure eligibility and requirements. Feel free to contact the City of Wixom's City Manager's Office if you would like to discuss a possible abatement for your project

## **Objectives and Policy Regarding Commercial Tax Abatements**

In order to stimulate and diversify the local economy, improve property values, and promote the growth of the downtown district, the City Council may consider granting commercial tax abatements. In order for the City Council to consider such abatements through PA 255 of 1978 (Commercial Redevelopment Act) or PA 210 of 2005 (Commercial Rehabilitation Act):

- 1) The proposed project must be included within a Commercial Redevelopment District or Commercial Rehabilitation District established in advance by the City, Within the City's Downtown Development Authority, or in an area that is eligible by state statute.
- 2) The proposed project must fall within the scope and provisions of PA 255 of 1978 (Commercial Redevelopment Act) or PA 210 of 2005 (Commercial Rehabilitation Act).
- 3) The proposed project must result in improvements aggregating to more than 20 percent of the true cash value of the property at commencement of the project, or result in a minimum of 1 new commercial unit within the City.
- 4) The proposed project is recommended to feature a total investment in the property of at least \$500,000 for a new facility, and \$250,000 for an existing facility.
- 5) The project should apply for, and receive, any relevant approvals from the Planning Commission prior to final approval of an abatement request. The applicant may concurrently seek a recommendation from the Tax Abatement Review Committee and review by the Planning Commission.
- 6) The proposed project must be consistent with the City's goals, development priorities, design standards, master plan, and zoning codes, and must not create a hardship on public resources, including, but not limited to, parking, or result in a detriment to the local economy.
- 7) The proposed project must result in at least 33% of the commercial space within the building operating a commercial activity immediately upon the conclusion of the project and issuance of a certificate of occupancy.
- 8) Preliminary architectural documents including sketches, elevations, and cost estimates must be provided, along with an application for abatement executed by the applicant, along with the non-refundable processing fee.

- 9) The applicant will be required to sign a Letter of Agreement agreeing to satisfy certain conditions and achieve specific goals in a timely manner as a condition of approval of the tax abatement district and certificate. As part of the Letter of Agreement, the applicant will agree to:
  - a. Reimburse the City for all City taxes which were abated from the effective date of the certificate if more than 20% (based on original value) or more of the investment included in the abatement is moved out of the City before the termination of the agreement.
  - b. Create jobs within the City and use its best efforts to utilize City businesses as its vendors and suppliers for the project, hire City residents for new jobs created and advertise for any new jobs in a newspaper in circulation within the City.
  - c. Support the City of Wixom events and cultural initiatives
- 10) Abatement terms may be granted to applicants based on the scope of the project, the degree to which the project meets the development goals and criteria of the City's zoning ordinance and Master Plan, as well as the degree to which financial assistance is required in order to make a project financially viable.
- 11) Nothing within this policy shall imply or suggest that the Wixom City Council is under any obligation to provide tax abatements to any applicant, regardless of the extent to which an applicant is able to meet the provisions contained herein. Certificates for abatement under all of the Acts referenced in this policy are granted by the State Tax Commission, which may deny such certificates even if approved by the City Council.

## **APPLICATION PROCEDURES**

The following procedures have been established by the City of Wixom to review and evaluate requests for Commercial Rehabilitation or Commercial Redevelopment Tax Abatements in accordance with Public Act 210 or 255:

1. Applicants requesting the establishment of a Commercial Facilities Exemption Certificate will submit to the City Clerk a formal letter requesting the tax abatement along with ten (10) copies of the prescribed application form and all supporting documents. A certified check for \$1,000, a non-refundable filing fee, to cover the cost of processing the application shall accompany the application and is required before the application shall be processed.
2. In the application package, the applicant must provide the following:
  - a. Detailed description of the nature and significance of the proposed project, including a complete copy of the State of Michigan's application for the relevant abatement program, as well as the property's legal description and intended uses.
  - b. A list and description of the physical components required for the project with an explanation of their necessity and contribution to the project.
  - c. The signed or prospective tenants of the proposed development, and estimates for job creation and local economic impact.
  - d. A five-year plan detailing anticipated expenditures and forecasted growth and revenue, and the necessary financial capacity and expertise to complete the project.
  - e. A written statement detailing the impact of the proposed development on City services and infrastructure.
3. As part of the applicant's submission, the applicant shall provide a written response to each of the following:
  - a. What benefits accrue to the City of Wixom based on the **type of business(es) that will come to the City** as a result of the project?
  - b. How would the proposed investment further the City's goal to create a **vibrant, walkable commercial district** within our downtown?
  - c. How would the proposed investment enhance the **image** of the City?
  - d. In what way could the proposed investment result in notable, future **growth** within the City and/or meet a need of the Downtown District and the community as a whole?
  - e. Why is this tax abatement **necessary** to complete the proposed project?

4. The application package will be forwarded to all departments for review and comment on the proposed development and its potential impact on the City and its infrastructure.
5. After staff review, the application package will be forwarded to members of the Tax Abatement Review Committee and a meeting will be scheduled for the Committee members to meet with the applicant and/or the applicant's representative to review the proposed investment and to discuss the potential impact of the project on the City and to evaluate the potential benefits that would result. The application package will accompany a staff report prepared by the City Manager's Office which will include supporting documentation.
6. If the Tax Abatement Review Committee votes to recommend to City Council that a tax abatement be granted in a specific case, the applicant must work with the City Manager or his representative in preparing, and subsequently signing a Letter of Agreement.
7. All information including the review group analysis, department assessments, Tax Abatement Committee recommendation and a copy of the original application will be submitted to the Wixom City Council as an agenda item for the consideration of the scheduling of a public hearing.
8. The applicant will be notified by the City Clerk specifying the public hearing date and will post all appropriate legal notices.
9. Final consideration of the exemption district and certificate will be addressed by the Wixom City Council. The Council may exercise its discretion in determining the length of a certificate in accordance with the objectives set forth in these guidelines and the general health, safety and welfare of the City of Wixom.