

CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-42	HISTORY	
		FILE #	DATE
	DATE: August 28, 2001	85444	Feb. 23, 2016
	FILE NUMBER: 68962		
	DEPARTMENT: ECONOMIC DEV.		

SUBJECT: APPLICATIONS FOR OBSOLETE PROPERTY REHABILITATION EXEMPTION KNOWN AS THE OBSOLETE PROPERTY REHABILITATION ACT; Under Act 146 of the Public Acts of 2000

PURPOSE: The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000 (the “Act”) allows tax abatements on functionally obsolete or blighted commercial property undergoing rehabilitation or industrial property undergoing rehabilitation from industrial use to commercial or commercial housing use. The Act provides for an exemption from certain taxes.

POLICY:

I. Introduction

It is the policy of the City Commission to use tax abatements to encourage rehabilitation of obsolete property that will facilitate redevelopment, foster job creation and expand the tax base for the City of Grand Rapids. It is recognized that this program is a discretionary program and may be utilized to achieve the goals and priorities identified by the Grand Rapids community through various adopted plans at the discretion of the City Commission. This policy supports the City of Grand Rapids’ Economic Development strategy to identify and facilitate opportunities for clean up and redevelopment of commercial sites, consistent with the goals and priorities contained in this policy.

II. Qualification Criteria

1. Property Eligibility Criteria

In order to be eligible to apply for an OPRA abatement, a property must meet both of the following criteria, all as defined in Section 2 of the Act (MCL

125.2782(2)).

- A. ***blighted*** or ***functionally obsolete***, AND
- B. ***commercial housing property*** or ***commercial property***

2. Applicant Eligibility Criteria

In order for the City Commission to consider an application for an OPRA abatement, the applicant (defined as the individual or entity which owns or proposes to own the property) must meet all of the following criteria:

- A. The applicant must have a legal interest in the property for which an abatement is being sought, or must provide documentation evidencing its ability to acquire the property (i.e. binding purchase agreement).
- B. The applicant represents that the project would not have been considered without the exemption certificate.
- C. The applicant must be compliant with the City's income tax ordinance.
- D. The applicant must not be delinquent on any financial obligations to the City.
- E. The applicant must not have any outstanding written orders or violations for any property under its ownership that is located in the City.
- F. Before an application which has been approved by the City Commission will be forwarded to the State Tax Commission for approval, the applicant shall have filed a completed Michigan Department of Treasury Form 2766 – Property Transfer Affidavit L-4260 with the City Assessor related to its acquisition of the property. The Property Transfer Affidavit shall be considered incomplete if the purchase price of the real estate is not entered on the form.

3. Project Eligibility Criteria

In order for the City Commission to consider an application for an OPRA abatement, the proposed project must meet the following criteria:

- A. Projects are located within the Community Development Target Areas or within a recognized neighborhood business association boundary as shown on the attached map.
- B. The rehabilitation project was not started prior to the City Commission's establishment of the Obsolete Property Rehabilitation District.
- C. Commercial housing projects must propose a minimum of ten (10) units or be part of a mixed-use redevelopment project.
- D. Projects must have a minimal investment of \$30 per gross square foot (excluding basement levels), excluding acquisition.

- E. There are no delinquent taxes on the facility or the structure being renovated.
- F. All applicants must be in compliance with the zoning ordinance, have received the necessary approvals, or propose to come into compliance with the zoning ordinance as part of the project.
- G. All applicants must enter into a Memorandum of Understanding with the City of Grand Rapids.
- H. Environmental Requirement: The City's Environmental Services Department will review the history of the property/applicant for environmental concerns and report the results to Economic Development.
- I. Fair Housing Practice: If the project is for commercial housing, the applicant must agree to the Fair Housing Practices and assure equal opportunity to all persons as described in Chapter 160 of the City Code.
- J. If the applicant's project exceeds \$600,000 or total employment upon completion of project is likely to equal or exceed fifteen (15) persons, then they must receive certification of equal opportunity practices from the City's Office of Diversity and Inclusion according to the following guidelines. If the project is below \$600,000 and employment is not likely to exceed 15, then the company is not required to be certified.
 - i. Documented statistical analysis of the applicant's workforce by Equal Employment Opportunity (EEO) job classifications, indicating the number of employees in each such classification by race and sex shall be submitted to the City's Office of Diversity and Inclusion. If such analysis demonstrates that the applicant has employed Minorities (African Americans, Hispanics, Asians, Native Americans) and Women in "relative proportion" to their respective availability in the civilian workforce within the Grand Rapids/Muskegon/Holland Metropolitan Statistical Area (MSA), the applicant's commitment to equal opportunity employment practices shall be presumed. For purposes of this Policy, "relative proportion" shall mean employment by race and sex of at least 80% of the percentage of the respective available workforce, as certified by the City's Office of Diversity and Inclusion, or
 - ii. An applicant who is unable to demonstrate presumed commitment to equal opportunity employment based upon the statistical analysis of its workforce, as set forth in (i) above, shall provide clearly documented evidence which demonstrates that the applicant has utilized all reasonable good faith methods of recruitment, training and promotion of Minorities and Women for its workforce. Such evidence shall be for the previous five (5) years, or the length of time the

applicant has been in business, whichever is shorter. The City's Office of Diversity and Inclusion shall review such evidence of good faith effort and report its findings and conclusions to the City Commission, or

- iii. Applicants who are unable to demonstrate their past commitment to equal opportunity employment under subparagraphs (i) and (ii) above, may demonstrate their present and future commitment to such employment through the adoption of a voluntary affirmative action plan structured to overcome manifest racial and gender imbalance in the composition of their workforce. Such affirmative action plan shall comply with Federal law. Such a plan must be in a form acceptable to the City's Office of Diversity and Inclusion, which Department will assist the applicant in developing such a plan if requested.
 - a. Federal Recognition of Affirmative Action Plan:
If an agency of the federal government has approved the affirmative action plan of the applicant firm within the previous twelve months, then the City shall accept said plan as approved for purposes hereunder provided the following conditions are met:
 - 1) The applicant has submitted to the City a certification signed by a firm officer stating the federal approval.
 - 2) The applicant firm submits to the City a copy of the federally approved affirmative action plan, providing the information required by the City's Office of Diversity and Inclusion, including a breakdown of the applicant's current workforce.
- iv. The applicant's good faith compliance with such plan shall be monitored by the City on an annual basis throughout the duration of the tax abatement, or until the successful attainment of the plan's affirmative action goals, whichever first occurs. The City's Office of Diversity and Inclusion shall provide periodic compliance reports to the City Commission on all such affirmative action plans. Any firm, which has not evidenced good faith compliance with any such plan, shall not be eligible for further obsolete commercial property tax abatement.
- v. Any application for an Obsolete Commercial Property Exemption Certificate shall be accompanied by a covenant of non-discrimination and commitment to equal employment opportunity executed by the applicant.

- vi. Unless this Policy is waived as provided for hereunder, the City Commission shall act upon the application until the City's Office of Diversity and Inclusion has certified that such applicant is either exempt from this policy, or has complied with Sections (i) or (ii) or (iii) or (iv).

III. Term

The Act provides that the duration of an OPRA abatement can be from one to twelve years at the discretion of the City. The City has established a 10-year term as the default for OPRA exemptions. This 10-year standard OPRA exemption will be considered the base level of support for projects that meet the Qualification Criteria (above) and the criteria contained in the Act.

The City Commission may increase the term of an OPRA exemption to 12 years, if the project meets one or more of the City Investment Criteria (below). If a project meets one of the City Investment Criteria, it will qualify for an 11-year OPRA exemption. If a project meets two of the City Investment Criteria, it will qualify for a 12-year OPRA exemption, as shown in the table below.

PROJECT EVALUATION	LEVEL OF INCENTIVE
<i>Base Level of Support (Does not meet any City Investment Criteria)</i>	<i>10 Year Exemption</i>
<i>Meets One City Investment Criteria</i>	<i>11 Year Exemption</i>
<i>Meets Two City Investment Criteria</i>	<i>12 Year Exemption</i>

IV. City Investment Criteria

The City Investment Criteria described below have been identified in various plans developed with input from the Grand Rapids community, and have been prioritized in this Policy in order to incentivize outcomes desired by the City and the Grand Rapids community.

In order for a project to be considered for a level of support in excess of the 10-year base level, the project must meet one or more of the following City Investment Criteria.

1. Sustainable Development
 - A. Achieve LEED Certification, or Net-Zero Energy Certification*
 - B. Where stormwater runoff has been identified as a concern by the City's stormwater division, achieve post-development stormwater runoff and drainage equivalent to pre-development conditions (no increase to runoff or flow as a result of development)
2. Income and Housing Diversity

- A. At least 20% of the units are affordable to individuals or families earning less than 80% of the Area Median Income (AMI). These units may be affordable due a financing mechanism (i.e. Low-Income Housing Tax Credits) or be “affordable by design” (which, for purposes of this policy, is defined as having total occupancy costs that are below 80% of Area Median Income rental limits according to the most recent rent limits published by the Michigan State Housing Development Authority for Kent County. Total occupancy costs include rent, plus the allowances for basic utilities included in the most recently published Allowances for Tenant-Furnished Utilities provided by the U.S. Department of Housing and Urban Development), this provision to be construed in conformance with the Michigan Public Act 226 of 1988 (MCL 123.411)
 - B. Provides a housing type (single-family attached, single-family detached, duplex, or multi-family) that is less than 20% of the existing housing in a census tract, according to the most recent decennial census, or if the census data is more than 5-years old, according to the most recent American Community Survey data.
 - C. At least 25% of units are designed and constructed to meet the Type B requirements of the ANSI A117.1 standard (Zoning Ordinance 5.5.10.A.(2)).
3. Quality Architecture and Site Design
- A. Where not otherwise required, in mixed-use commercial zone districts, bring an existing building into compliance with the building element standards of the zoning ordinance.*
 - B. Where not otherwise required, comply with the parking lot landscape requirements contained in the zoning ordinance.
4. Grand River Activation as a Recreational and Cultural Amenity, and Public Access
- A. Provides public access to and along the Grand River by permanent easement, and in conformance with Section 5.11.14 of the Zoning Ordinance (Urban Open Space).
- Promote Utilization of Transit
- A. For projects located within ¼ mile of a Bus Rapid Transit Station, or within 500 feet of a permanent covered bus shelter, provide transit passes to each resident and employees for the first two years of project occupancy.
 - B. Project provides land (by conveyance or easement) for, and/or finances improvements related to a Bus Rapid Transit Station or other covered/sheltered transit stop.*
5. An applicant may request that the City evaluate the financial feasibility of the project, in lieu of or in addition to the above criteria in order to determine whether additional City investment is justified. Economic Development staff

may also evaluate a project's pro forma, financial structure and financing commitments in order to determine the feasibility of a project and may utilize this evaluation as another criteria for determining the City's level of support for a project. Due to development timelines, an accurate financial evaluation must typically be performed after all other approvals (i.e. planning/zoning and financing); therefore, this evaluation will only be performed if requested by a developer as an additional consideration for an increased level of financial incentive, and would align with other state agency support. Staff will provide a recommendation to the City Commission based upon this evaluation.

****Note:** Items above that are marked with an asterisk may be considered as two investment criteria for purposes of recommending a level of incentive, based upon the financial investment required to achieve those criteria.*

V. Application and Review Process

1. Applications must be submitted electronically through the City of Grand Rapids' Citizen Access website.
2. Economic Development staff, with assistance from other City departments as necessary, will review the application for compliance with eligibility requirements and determine whether any City Investment Criteria are met.
3. If a project is within a Tax Increment Financing District, staff will seek a recommendation from the District's governing board.
4. A fee of 2% of the estimated total property taxes abated will be charged for processing any application and shall be collected from each applicant prior to any approval of an exemption certificate by the City Commission.
5. Publication – information, regarding the project, including location, dollar amount of project, and employment impact will be published as part of the public hearing notice.
6. The application is not effective unless approved by the State Tax Commission.

VI. Compliance

1. Reporting and compliance requirements will be detailed in the Memorandum of Agreement.
2. A developer will be required, at a minimum, to submit an annual report containing information requested by the City necessary to determine whether the project was completed as contemplated in the original application.
3. If the term of the abatement was determined based on an applicant's representation of certain aspects of the project (i.e. LEED certification), evidence of completion will be required and will be described in the MOU.
4. For projects containing residential rental housing, certification of compliance with Chapter 140 of Title VIII of the Code of the City is required for each residential unit.
5. The project must be operated and maintained in compliance with all

applicable City codes and ordinances.

VII. Termination of Tax Exemption

If a developer is found to be in default of the terms of the Agreement, in violation of any City code or ordinance related to the property, or with any eligibility requirement contained in the Act or this Policy, the OPRA exemption may be terminated at the City Commission's discretion. An OPRA exemption may also be terminated if rehabilitation of the property has not been completed within the time frame agreed upon by applicant and the City, or the operation of the facility is not consistent with the original intent of Act 146, or the owner/operator is in violation of the Fair Housing Practices as described in Chapter 160 of the City Code.

VIII. Evaluation

Staff shall provide the City Commission with a yearly report on the OPRA Program, which will include, at a minimum, the following:

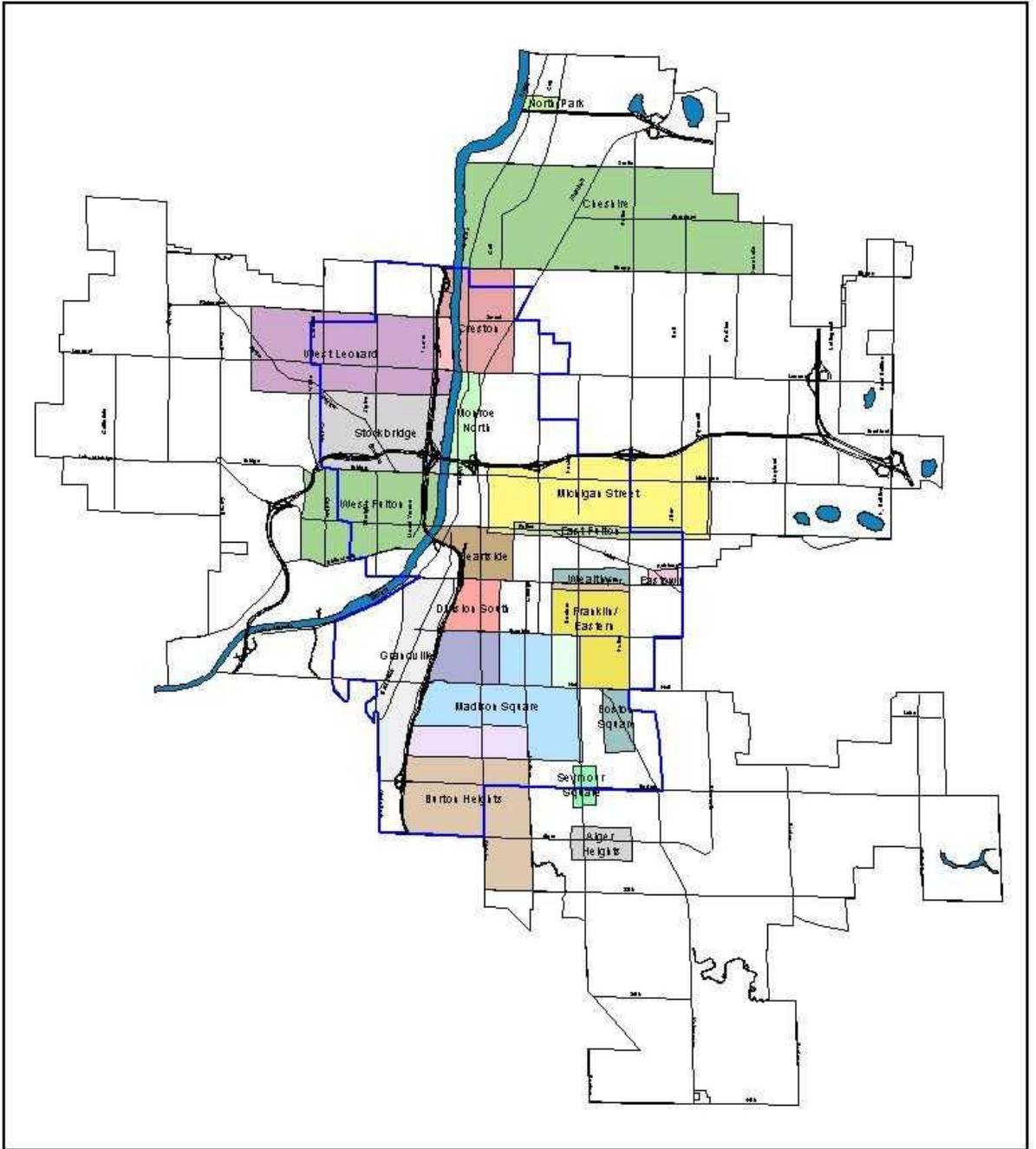
1. List of projects approved
2. Projected and actual job and investment data
3. Estimated amount of property taxes abated and paid, and new City income tax generated
4. Quantitative analysis of projects achieving one or more City Investment Criteria

The City Commission will utilize this information to annually determine the effectiveness of the Policy in achieving the City's Investment Goals. The City Commission, at its sole discretion, shall determine whether modifications to this policy are necessary to increase the effectiveness of its OPRA program in achieving desired outcomes.

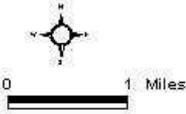
The Economic Development Department will also provide the City Assessor's Office with the necessary information to complete the annual Assessing Officer Report for Obsolete Property Rehabilitation Exemption as required by the State of Michigan Department of Treasury.

IX. Policy Waiver

The City Commissioner may waive this Policy, or any portion of it, when the Commission deems it in the best interest of the City.



City of Grand Rapids
 Areas For P.A. 146



City of Grand Rapids
 Planning Department
 August 2001