



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

MEMORANDUM

DATE: November 7, 2019

TO: Mayor Chris Eveleth, City Council, and Manager Nathan Henne

FROM: Treena Chick, Assessor

RE: Obsolete Property Rehabilitation District – 114-116 W. Main St.

The city manager received a request from Randy Woodworth of Ruesswood REI Group LLC, to establish an Obsolete Property Rehabilitation District. An application for tax abatement under the city's policy was also filed. The project proposes to renovate the second and third floors to create a multi-use building containing office space on the second floor and 9-10 residential apartments on the third floor. The creation of this district would further allow application for an Obsolete Property Rehabilitation Exemption Certificate for improvements and restoration to that property.

The description of the district being requested is:

LOT 8 & W 2/3 OF LOT 7 BLK 22 OF ORIGINAL PLAT

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.

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

RESOLUTION NO.

**SETTING A PUBLIC HEARING TO CONSIDER ESTABLISHING
AN OBSOLETE PROPERTY REHABILITATION DISTRICT
FOR THE PROPERTY LOCATED AT 114 W. MAIN STREET**

WHEREAS, a request was received October 29, 2019 along with an Application for Tax Abatement from Randy Woodworth of Ruesswood REI Group, LLC to create an Obsolete Property Rehabilitation District, described as:

LOT 8 & W 2/3 OF LOT 7 BLK 22 OF ORIGINAL PLAT; 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 if certain requirements are met; and

WHEREAS, an Obsolete Property Rehabilitation District may consist of one or more parcels of land; and

WHEREAS, it must be determined that the district consists 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 a public hearing for Monday, December 2, 2019 on 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.
- SECOND: the city clerk gives the notifications as required by law.
- THIRD: the city staff is directed to investigate and determine if the qualifications of the act are satisfied and report findings at the hearing.

October 29, 2019

RuessWood REI Group
120 W. Exchange St. #300
Owosso, MI 48867

City of Owosso
City Manager, Mr. Nathan Henne
301 W. Main St.
Owosso, MI 48867

RE: Request to Establish Obsolete Property Rehabilitation District

Dear Mr. Henne,

In accordance to Michigan PA 146 of 2000, wherein a qualified local government unit must establish an Obsolete Property Rehabilitation District in order to obtain/provide the tax exemption provided under PA 146 of 2000.

I, Randy Woodworth, the managing member of RuessWood REI Group, would like to respectfully submit to city council a request to entertain a resolution creating said district for 114-116 W. Main Street. The Legal Description for the property is found in the application for such an exemption for PA 146.

I will be available to answer any questions or respond to any concerns.

Sincerely,



Randy Woodworth
Managing Member
Ruesswood REI Group
989-723-3711
randy@woodworthcommercial.com



RECEIVED 9.13.19 N. Henne

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

APPLICATION FOR TAX ABATEMENT

Applicant (Official Company Name) RYESSWOOD REI GROUP LLC
Business Name (If Different)
Address of Proposed Project 114-116 W. MAIN ST.
Mailing Address (If Different)

Do you own the property? YES If no, what is your relationship?

Type of Abatement Requested (if known) PA-144

Total square footage of all current buildings on site 39,000+

Description of proposed project including type of current business activity and product to be manufactured (if applicable), size of proposed structure and proposed activity and/or product.

REDEVELOPMENT OF UNUSED SPACE INTO BUSINESS OFFICES THAT WILL RESULT IN INCREASED EMPLOYMENT. DEVELOPMENT OF (10) NEW APTS. ON 3RD FLOOR, INCREASING DOWNTN. AVAILABILITY FOR RESIDENCES, RETAINING LOCAL JOBS/WORKFORCE.

FURTHER, THE BUSINESS OFFICE SPACE WILL INCREASE THE # OF HIGH-QUALITY, HIGHER PAYING JOBS AND BENEFITS. OUR PROJECT FURTHERS THE GOALS/OBJECTIVES OF THE CITY AND COMMUNITY AT LARGE.
Give estimated cost of the following components applicable for the proposed project:

Land improvements (excluding land):
Building improvements: Size 28,000 sf \$ 1,500,000
Machinery & Equipment:
Furniture & Fixtures:

Time schedule for start and completion of construction and equipment installation (if applicable):
Building: Equipment installation (if applicable):

Start Date immediate Start Date
Completion Date MARCH/2020 APRIL Completion Date

-1st+2nd floor OPRA?
Yes
2nd Floor \$ 359,608
3rd Floor \$ 813,200
TOTAL \$ 1,172,800

Abatement Application
Page 2

Will project be owned or leased by applicant? OWNED & LEASED
Will machinery be owned or leased by applicant? OWNED

How many employees do you currently employ? Full Time N/A Part Time _____

How many new employees do you estimate after project complete? Full Time N/A
Part Time _____

When project is complete, how many will be: N/A
Management/Professional _____ Wage level \$ _____
Skilled _____ Wage level \$ _____
Semi-Skilled _____ Wage level \$ _____
Un-Skilled _____ Wage level \$ _____

**SEE
ATTACHMENT
LETTER**

How many current employees live within the city limits of the City of Owosso? N/A

Date your business located within the City of Owosso. 2014

Name of Company Officer (contact person) RANDALL WOODWORTH
Title PRESIDENT

Signature [Signature] Date 9/13/19
Phone Number 989-723-3771

For City Staff Use Only

Was the applicant given a copy of Tax Abatement Policy? Y N
Is an abatement district in place for this project? Y N

If no, legal description of proposed district. _____

If yes, type of district in place _____ Year established _____

Does the proposed project meet the guidelines for Tax Abatement under the policy? Y N
If no, explain _____

If yes, was notice given to taxing jurisdictions within the proposed project area? Y N

If yes, was notice given to applicant and proper state documents sent? Y N

Name of reviewer _____

Signature _____ Date _____

PA -146
114 -116 W. MAIN

One of, if not the single greatest key to a vibrant downtown, are the people who frequent it. Both Owosso Mainstreet and the DDA have shifted their focus to bringing more residents downtown by utilizing upper story space for apartments. Having permanent residents in our downtown helps small business thrive and bolsters our local economy.

The upper floors of 114-116 W. Main have been functionally obsolete for decades and it is our intention to rehabilitate the third floor into ten (10) modern fully functioning living spaces. As we work through the math to try to make this a viable undertaking, it has become apparent that an increase in property taxes will greatly hinder the economic viability of the project to a point of significant negative cashflow. We must burden this building with additional debt in order to appropriately design and build that many apartments. That debt is only covered if the property taxes remain frozen for the 15 years the debt is amortized over.

We ask the city to partner in the success of our downtown by allowing a 15 year property tax freeze at current taxable values in order to sustain the property through the initial debt cycle.

- TV w/ facade (2019) and 2nd floor completed - \$650,000 - \$700,000
- 10 new housing units
- \$1,172,800 Capital investment (eligible)
-

W. EXCHANGE ST.

E. EXC



W. MAIN ST.

E. M