

CITY OF SWARTZ CREEK

Tax Abatement & Incentive Policy

Policy Statement: The City of Swartz Creek is committed to enhancing the quality of life for its residents. To do so, the community recognizes the need for robust and diverse businesses to add cultural, entertainment, economic, and related value to the community. The community further recognizes a need to create high-quality places (including walkable areas, diverse housing, higher densities, and public amenities) for such activities, especially in the traditional downtown. Lastly, the community recognizes that some barriers exist to fulfilling these aspirations. Such barriers include obsolescence of property, a struggling regional economy, and limited market strength of certain sectors.

Tax abatements (as provided by state statute) and local incentives (in the form of fee waivers and Tax Increment Financing assistance) can encourage private development projects that produce the results desired. Accordingly, consideration for tax abatements and/or incentives is viewed as a privilege, not as a property right. This policy establishes minimum requirements and a uniform set of standards and procedures to be used when considering a request for a tax abatement/exemption or incentives.

The focused purpose of tax abatements and local incentives is to provide for private investment that would not otherwise occur, provided such investment is aligned with the city's stated intentions. See the City Master Plan and Downtown Development Plan. Abatements and incentives, if awarded, are expected to be awarded to varying degrees that are in proportion with the degree of public benefit that results. The impetus for a formal program is based upon the Michigan Redevelopment Ready Communities best practices.

Abatements include:

1. Michigan Public Act 255 of 1978: Commercial Redevelopment Act
2. Michigan Public Act 210 of 2005: Commercial Rehabilitation Act
3. Michigan Public Act 198 of 1974: Plant Rehabilitation and Industrial Development Act

Incentives Include:

1. Water and Sewer Connection Fee Waivers
2. Tax Increment Financing Assistance (Per DDA policy & City Council Budget Oversight)

I. MINIMUM REQUIREMENTS FOR TAX ABATEMENTS & INCENTIVES

- A. Abatements & incentives shall be subject to duration and amount limits.
- B. Such duration and amount limits shall be for the minimum amount necessary to meet the goals of the project.
- C. Benefits to the city of the proposed abatement or incentive shall be:
 1. at least equal to or greater than the cost of the abatement; and
 2. accomplish at least one of the following purposes:
 - a. provide significant economic and/or employment opportunities;
 - b. provide or help acquire or construct public facilities;

- c. significantly redevelop or renew blighted areas;
 - d. help provide access to services for residents; or
 - e. preserve or restore a feature of historical significance.
- D. The taxable value of any proposed abatement, considered together with the aggregate taxable value of property exempt under certificates previously granted and in force shall not exceed five-percent of taxable value of the City of Swartz Creek.

Example: 2020 City of Swartz Creek potential taxable value - \$150,000,000
 Five-percent of City of Swartz Creek - \$7,500,000

- E. The city will not issue or be a signatory on bonds in connection with abatements.
- F. Commencement of any new construction or improvements shall be within the limits set forth within the applicable act related to the abatement being applied for.
- G. The city council will not take action on any abatement or incentive unless the applicant or legal representative is present at the public hearing to make a presentation and/or answer questions.
- H. The City reserves the right to waive, modify, or amend any of these policies when it is in the best interest of the city residents.
- I. Abatements shall be granted for RRC sites only.
- J. Incentives shall be granted for DDA sites only.

II. EVALUATION CRITERIA

- A. *Private Development Objectives.* The City of Swartz Creek will consider using tax abatement and local incentives to help private development projects that strive to achieve three or more of the following objectives:
 - 1. Include investment in formally recognized RRC sites (required for abatements)
 - 2. Provide for hospitality, cultural, entertainment, and recreational uses
 - 3. Include historic preservation or restoration
 - 4. Provide or retrain build-to lines for development (little or no setbacks)
 - 5. Provide outdoor uses such as dining, seating, recreation, etc.
 - 6. Include strong pedestrian features and design
 - 7. Include residential uses
 - 8. Provide multiple stories
 - 9. Provide total investment of over \$10,000,000 or 50 FTE
 - 10. Satisfy specific plan goal
- B. *Additional Objectives.* Some investments and their consequences are difficult to foresee, requiring flexibility in the decision making process. The City of Swartz Creek will therefore consider the following factors when evaluating tax abatement and incentive requests to help private development projects:
 - 1. Additional consideration will be given to existing businesses seeking to expand and grow within the city.

2. Whether or not the proposed project provides services not already provided in the city or services which are needed.
3. Whether or not the proposed business would be in direct competition with existing businesses in the city. Abatements should not be given to businesses which would receive a competitive advantage over similarly situated businesses in the city.
4. Whether or not the project will significantly impact environmental/natural resources.
5. Public and other stakeholder input.
9. The extent to which the project satisfies or requires improvements in city infrastructure, traffic control, or services such as law enforcement.
10. Consistency of the proposed project with city land use regulations, zoning and planning policies.
11. How the proposed project furthers the goals and objectives of the city and/or community.
12. The level of private financial investment into the project.

III. APPLICATION

- A. The applicant shall submit an application (available from the city) for all projects for which a tax abatement is sought from the City of Swartz Creek.
- B. Applications shall include:
 1. A letter formally requesting tax abatement or incentive from City of Swartz Creek;
 2. Completed application for tax abatement with all support materials attached (if applicable);
 3. The applicant will pay for any contracted legal, financial, consultant or other third party costs not to exceed statutory limits of the applicable act.
 4. Official forms developed by the state of Michigan, if applicable, shall also be submitted in a timely manner per procedures set forth within the applicable abatement/exemption act under which the application is made.
- C. The applicant shall submit completed applications to the city clerk.

IV. APPROVAL PROCESS

- A. The city clerk shall notify, by certified mail, each taxing jurisdiction of a request to establish an abatement district or an application for the abatement. Said taxing jurisdiction shall have 15 days from the date of receipt of said notification to respond in writing of their thoughts and considerations. These taxing jurisdictions shall have no voting or veto authority.
- B. The city clerk shall notify applicant by certified mail if the application is found consistent with this policy. Procedures set forth within the abatement/exemption act shall be followed.
- C. The length of the exemption shall be determined by the attached abatement schedule.
- D. The approval for the abatement district and approval of an application for abatement shall not be addressed at the same meeting.

V. DEVELOPMENT AGREEMENT AND ANNUAL REPORTING REQUIREMENTS

- A. *Development Agreement.* All projects granted tax abatement will be required to enter a development agreement. The development agreement will be recorded against the property, will clearly define the responsibilities of the property owner(s) receiving the abatement, and will require annual reporting.

- B. *Annual Reporting Requirements.* All projects granted tax abatement shall submit an annual status report on the form developed and provided by the City of Swartz Creek. The requirement makes all abatements granted consistent with State Tax Commission Administrative Rules, as they pertain to relevant Public Acts, as amended. The report content will meet reporting expectations set in the Development Agreement.

VI. RESCISSION OF ABATEMENT/EXEMPTION

- A. Imposition of any rescission is at the sole discretion of the City of Swartz Creek and shall be considered on a case-by-case basis in compliance within the applicable act under review.
- B. Rescission shall not violate the statutory requirements of the applicable act in any way. Consideration may include but are not limited to the:
 - 1. sale or closure of the facility and departure of the company from the jurisdiction unless abatement/exemption is transferable.
 - 2. significant change in the use of the facility and /or the business activities of the company not consistent with the requirement of the applicable act for which approved.
 - 3. significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic condition.
 - 4. failure to achieve the minimum number of net new jobs and wage level as specified in the abatement/exemption application.
 - 5. failure to complete the project in a timely manner as specified in the approval resolution.
 - 6. failure to comply with annual reporting requirements.
 - 7. failure to pay annual property taxes on real and personal property not exempt under the approved abatement/exemption.
 - 8. failure to cooperate with the City of Swartz Creek ordinances and policies.

Abatement Schedule

This schedule applies to Industrial or Commercial Property as defined in 211.34c of the General Property Tax Act

1. Capital investment \$Up to \$100,000 \$100,001 to \$250,000 \$250,001 to \$500,000 \$500,001 to \$1,000,000 \$1,000,001 to \$2,500,000 \$2,500,001 to \$5,000,000 \$5,000,001 and up	Years of tax abatement 1 2 3 4 5 6 7	Rehabilitated/restored additional two years in any capital investment
2. Job creation <u>as Full Time Equivalent</u> 1-10 11-25 26-50 51 and up	Years of tax abatement 2 3 4 5	
3. Job wages Average wage > 1.5x minimum wage Average wage > 2x minimum wage Average wage > 3x minimum wage	Years of tax abatement 2 4 6	
4. Number of years located in the City 2-10 11-15 16 and up	Years of tax abatement 1 2 3	
5. Private Development Objectives (II.A) 4-5 6-7 8+	Years of tax abatement 2 3 4	

Note: Total number of tax abatement years shall not exceed statutory limits. This schedule applies to years of TIF assistance.

Incentive Schedule

Incentives provided as a percentage of fee waivers (water and sewer REU's) or TIF funds returned to project (if available)

1. Capital investment \$Up to \$100,000 \$100,001 to \$250,000 \$250,001 to \$500,000 \$500,001 to \$1,000,000 \$1,000,001 to \$2,500,000 \$2,500,001 to \$5,000,000 \$5,000,001 and up	Percent of Fee 5% 10% 15% 20% 25% 30% 40%	Rehabilitated/restored additional 10% South of I-69 additional 20%
2. Job creation <u>as Full Time Equivalent</u> 1-10 11-25 26-50 51 and up	Percent of Fee 10% 15% 20% 25%	
3. Job wages Average wage > 1.5x minimum wage Average wage > 2x minimum wage Average wage > 3x minimum wage	Percent of Fee 10% 20% 30%	
4. Number of years located in the City 2-10 11-15 16 and up	Percent of Fee 10% 15% 20%	
5. Private Development Objectives (II.A) 4-5 6-7 8+	Percent of Fee 30% 40% 50%	

Note: Total incentive cannot exceed 100%. This schedule applies to annual TIF assistance as a ratio to the project-specific capture.

Current abatements available

PA 198 – 1974 – Industrial Facilities Tax

Eligible industries: manufacturing, research and development, high-tech, and communications centers.
Maximum eligible award – 50% abatement for up to 12 years on new real and personal property investments.

PA 255 – 1978 Reinstated 2009 – Commercial Redevelopment Tax

Eligible industries: obsolete and declining property, zoned for commercial/industrial prior to June 21, 1975
Maximum eligible award – 50% abatement for up to 12 years on replacement or new real property. Zero taxes levied on value of restored real property investment for up to 12 years.

PA 210 – 2005 – Commercial Rehabilitation Tax

Eligible industries: multifamily housing or group of contiguous commercial property 15 years old or older covering at least three acres or located in a downtown district.
Maximum eligible award – Zero taxes levied on value of restored real property investment for up to 10 years.

Swartz Creek Tax Abatement and Incentive Policy Procedures

1. Contact made from perspective applicant of tax abatement or incentive.
 - a. City of Swartz Creek Abatement & Incentive Policy and Application given to applicant. **(All applications are to go through City Clerk per policy and/or public act.)**
 - b. Give notice to city manager & city assessor.
 - c. Review of application and set meeting with applicant if determined they qualify.
2. Meeting with applicant after application is received.
 - a. Applicant presents possible project. Require applicant to have a cost of project analysis prepared by contractor or architect.
 - b. If applicant is unsure of abatement/exemptions available, review of each is presented.
 - c. If a qualified district for abatement is not in place, applicant is required to request, in writing, a district be established. (In some cases, notification must be given to assessor of request for a district because determining obsolescence is charged to assessor.)
 - d. If qualified district exists, skip to 4.
3. Establishing a district after receipt of request (STC abatements only).
 - a. Prepare memo to council explaining the project and if the applicant qualifies for an abatement/exemption per the city's policy. (Council has already proven to ignore interpretation and recommendation from staff).
 - b. Prepare resolution to set public hearing for establishing a qualified district.
 - c. Prepare maps and any other data that will assist council in making a decision.
 - d. All documents given to clerk by deadline set for being placed on council agenda.
4. After receipt of Incentive Application or State Exemption Application. (See tax link on Michigan.gov).
 - a. Prepare report to council, again explaining project.
 - b. Prepare resolution to set public hearing for abatement/exemption (hearing not required for local incentives).
 - c. Prepare Abatement Schedule for council that determines years for the abatement/exemption, not to exceed statutory limits. The applicant is to present cost estimate prepared by contractor or architect.
 - d. Prepare other supporting documents for council, such as maps, drawings, copy of city's abatement application.
 - e. All documents given to clerk (city manager) by deadline set for being placed on council agenda.
5. Assist clerk in preparing final approved and required documents to send to State Tax Commission for their approval. Many of the statutes give the STC 60 days to make their final approval and may also require documents be sent to them by October to place the abatement/exemption in place for the following year.

TAX ABATEMENT & INCENTIVE CRITERIA CHECKLIST

I. INITIAL CONSIDERATION

- A. Are the benefits to the city of the proposed abatement at least equal to or greater than the cost of the abatement? Y N
- B. In the public interest, will the abatement accomplish any of the following purposes?
- a. provide significant economic and/or employment opportunities; Y N
 - b. provide or help acquire or construct public facilities; Y N
 - c. significantly redevelop or renew blighted areas; Y N
 - d. help redevelop or renew blighted areas; Y N
 - e. help provide access to services for residents; or Y N
 - f. preserve or restore a feature of historical significance. Y N
- C. Does the abatement apply to a RRC site? Y N NA
- D. Does the incentive apply to a DDA site? Y N NA

II. EVALUATION CRITERIA

- A. *Private Development Objectives.* Will using tax abatement help the development project strive to achieve three or more of the following objectives?
- 1. Include investment in formally recognized RRC sites Y N
 - 2. Provide for hospitality, cultural, entertainment, and recreational uses Y N
 - 3. Include historic preservation or restoration Y N
 - 4. Provide or retrain build-to lines for development (little or no setbacks) Y N
 - 5. Provide outdoor uses such as dining, seating, recreation, etc. Y N
 - 6. Include strong pedestrian features and design Y N
 - 7. Include residential uses Y N
 - 8. Provide multiple stories Y N
 - 9. Provide total investment of over \$10,000,000 or 50 Full Time Equivalent jobs Y N
 - 10. Satisfy specific plan goal Y N



APPLICATION FOR TAX ABATEMENT

Applicant (Official Company Name) _____

Business Name (If Different) _____

Address of Proposed Project _____

Mailing Address (If Different) _____

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

Type of Abatement/Incentive Requested (if known) _____

Description of proposed project: type of business, product to be manufactured (if applicable), size of proposed structure and proposed activity and/or product. Provide narrative and described materials to support evaluation criteria findings. Attach materials and plans as necessary.

Give the estimated cost of the following components applicable for the proposed project:

Land improvements (excluding land): _____

Building improvements: Size _____ sf \$ _____

Machinery & Equipment: _____

Furniture & Fixtures: _____

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

Building:

Equipment installation (if applicable):

Start Date _____

Start Date _____

Completion Date _____

Completion Date _____

Will project be owned or leased by applicant? _____

Will machinery be owned or leased by applicant? _____

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

How many new employees do you estimate after project complete? Full Time _____

Part Time _____

When project is complete, how many will be:

Management/Professional _____ Wage level \$ _____

Skilled _____ Wage level \$ _____

Semi-Skilled _____ Wage level \$ _____

Un-Skilled _____ Wage level \$ _____

Name of Company Officer (contact person) _____

Title _____

Signature _____ Date _____

Phone Number _____

Email Address _____