

Tax Abatement Policy



City of Novi

45175 west ten mile road. / novi, michigan 48375-3024 / (248) 347-0460 general information


May 18, 2000

To Whom It May Concern:

At a regular meeting of the City of Novi City Council, held on Monday, May 15, 2000 at 7:30 p.m., Council member Csordas moved and Council member Crawford seconded that the attached Tax Abatement Policy be adopted. CARRIED

(see attached)

I, Maryanne Cornelius, duly acting City Clerk for the City of Novi, do hereby certify that the attached is a true and complete copy of the Tax Abatement Policy adopted by the Novi City Council at a regular meeting held on Monday, May 15, 2000, 7:30 p.m., the original of which is on file in my office.


Maryanne Cornelius, CMC/AEE, City Clerk

CITY COUNCIL

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Mayor Pro Tem
Hugh D. Crawford

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What is a Tax Abatement? & How will Novi use it?



WHAT IS A TAX ABATEMENT:

- A tax abatement is an incentive provided primarily to build new plants in Michigan or renovate and expand aging assembly and manufacturing, and research plants.
- The incentive comes in the form of abated taxes. The value of the project added will produce 50% of the taxes for a period of time and then resume to the full tax rate at the end of the abatement period.

ABOUT THE CITY OF NOVI 'S POLICY



HIGH STANDARDS/GOALS: Novi has developed a policy for the possible consideration of tax abatements with the goals focused on exceptional projects, preservation of natural resources, rehabilitation, significant capital investment, employment opportunities and architectural excellence.

- **SELECTIVE:** While the state legislation (Public Act 198) does not limit the number of tax abatements the City of Novi does. The policy has been established to be selective setting high standards and criteria. Novi has made a commitment that there will be a maximum of four abatements in any given year with no guarantee that even four will be issued.
- **LIMITED:** The Novi policy is restrictive. While the state legislation provides a maximum of a twelve year abatement the City of Novi has limited its maximum number of years to eight with no guarantee that eight years will be granted.

HOW MUCH OF THE TAXES ARE ABATED

- Approximately 50% of the taxes are abated for a specified period of time.

WHAT ABOUT SCHOOLS?

If the City of Novi grants an abatement will it impact the schools?



As of January 1994 the State Education Tax of 6 mills is not subject to the abatement. In fact the 6 mills are added back into the tax rate after the local millage rate has been reduced by fifty percent; from there the taxes are calculated. A local school district will receive the full value of its "Hold Harmless" (6 mills & 18 mills) and half of the "Debt" millages.

For additional information please contact Greg Capote at (248) 347-3284

Tax Abatement Statement of Purpose

The City of Novi established this policy in order to permit the possible consideration of tax abatement incentives for certain exceptional projects that propose to locate/relocate in the City of Novi. Possible consideration of any tax abatement or any form of local participation with the Michigan Economic Growth Authority will be on a limited basis.

In order to qualify for the possible consideration of a tax abatement, an applicant must first meet the eligibility requirements. If an application meets such requirements, it may be reviewed on its own individual merits with respect to the degree to which it achieves the economic development goals and satisfies the criteria outlined in this policy.

Applicants must bear the quantitative burden of proof to demonstrate that exceptional economic benefits will accrue to the City of Novi as a result of a tax abatement approval. Such proposals must specifically relate to the City Council's Tax Abatement Goals and Guidelines. Applicants must substantially satisfy conditions of the policy at initial application in order to be considered for abatement.

The Novi City Council may or may not elect to review any tax abatement proposal. If the Novi City Council elects to review a tax abatement proposal, it may approve, deny or approve the proposal with conditions.

Following such review, the City Council may consider necessary actions for a tax abatement or participation with other government incentives. All procedures, rights and obligations concerning such exemptions are subject to the Plant Rehabilitation and Industrial Development Districts Act, P.A. 198 of 1974, as amended.

Tax Abatement Goals

The City of Novi may establish a Plant Rehabilitation and Industrial Development District or participate with any other governmental incentive for any of the following reasons:

- A. To attract exceptional projects to the City of Novi in order to provide a greater tax base, without creating a high demand for city services and city-funded infrastructure improvements.
- B. To promote the preservation of natural resources that *exceeds* the requirements of the City of Novi's environmental regulations, and achieves a higher level of preservation of natural environmental features as identified in Novi's 2020 Master Plan for Land Use and Wildlife Habitat Plan.
- C. To promote the rehabilitation of obsolete facilities and/or expanding of existing facilities that provide significant benefits to the community, without creating a high demand for city services and city-funded infrastructure improvements.
- D. To encourage and promote significant capital investments that will serve as a catalyst for other significant investments within the community.
- E. To create or retain a significant number of employment opportunities within the community that offer competitive wages within the industry.
- F. To promote architectural excellence that demonstrates state of the art design, placement, sense of place, form, scale and identity that *exceed* City standards.

Tax Abatement Application Criteria

The following criteria will be used to evaluate requests for tax abatement and determination of the number of years of the abatement. The City Council reserves the right to modify the tax abatement criteria to reflect changing objectives, priorities or conditions of the community.

- A. A project must not have started before an application for abatement was received and reviewed by the City Council.
- B. The new investment will promote community health, safety and welfare.
- C. There must be no outstanding taxes owed by the applicant or on the project.
- D. If the facility is leased, the number of years awarded will not exceed the length of the lease.
- E. There is no pending or current litigation against the City by the applicant or its agents.
- F. Tax incentives will only be offered for the current phase of a project.
- G. The project must be fiscally beneficial to Novi from a tax revenue standpoint and must have the potential to increase employment opportunities for citizens of the community.
- H. The company must demonstrate it would not locate or expand in the City if tax abatement was not available.
- I. In no event shall the City consider granting more than four (4) such abatements in any one calendar year, subject to the terms and conditions set forth herein. In no event shall any possible abatements not used in one calendar year be carried over to a second.
- J. The cost disparity between expanding or locating in Novi and alternative locations outside the community must be demonstrated by the applicant.
- K. The long term impact of the project on Novi's economy, particularly in both real and personal property.
- L. The contributions the business has made to communities where it is currently located (i.e., are they a good neighbor, do they get involved in civic activities).
- M. Diversification of the tax base that will have the effect of developing both real and personal property to Novi's tax base.
- N. The development will provide enhanced opportunities for the existing business community.
- O. Evidence of corporate ongoing profitability, viability and vitality must be demonstrated, such as net profit, by percentage, and in real dollars for the last three- (3) corporate fiscal years.
- P. Applicants are to provide a fiscal impact analysis that demonstrates the positive impacts to the community and where the benefits outweigh the abated amount in taxes for the duration of the abatement.
- Q. Any approved tax abatements will undergo a yearly compliance review.
- R. The applicant must be committed to the Community for the entire term of the tax abatement and into the future.

Tax Abatement Application Criteria (continued)

<u>A. Type of Use</u>	<u>Minimum/Maximum Ranges for Abatement</u>
Research and Development	One (1) - Four (4)
Assembly/Manufacturing	One (1) - Three (3)
All Other Uses as permitted by P. A. 198, as amended.	One (1) - Two (2)
 <u>B. New Capital Investment</u>	
\$40 Million and Over	One (1) - Four (4)
\$ 31 Million to \$39 Million	One (1) - Three (3)
\$10 Million to \$30 Million	One (1) - Two (2)
 <u>C. Total Average Annual Level of New Fulltime Employment</u>	
400 Employees and Over	One (1) - Four (4)
200 to 399 Employees	One (1) - Three (3)
100 to 199 Employees	One (1) - Two (2)
25 to 99 Employees	One (1)
 <u>D. Rehabilitation of Existing Building</u>	
\$10 Million and Over	One (1) - Four (4)
\$ 5 Million to \$ 9 Million	One (1) - Three (3)
 <u>E. Number of Years as an Existing Novi Business</u>	
15 Years or More	One (1) - Four (4)
10 to 14 Years	One (1) - Three (3)
5 to 9 Years	One (1) - Two (2)
2 to 4 Years	One (1)

Maximum in any case (A + B + C + D + E) = A Maximum of Eight (8) Years for an abatement.
All projects being considered must meet the minimum requirements under both Part A, TYPE OF USE and Part B and C, INITIAL CAPITAL INVESTMENT OF PROJECT.