

# **Tax Abatement Policy**

**Effective Date: October 6, 2015**

**Policy Statement: The City of Laingsburg is committed to enhancing the quality of life and stimulating the local economy through the attraction of high-quality development and the retention and creation of high-quality jobs. Tax abatement is one technique to encourage private development projects. Accordingly, consideration for tax abatement 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.**

## **I. MINIMUM REQUIREMENTS FOR TAX ABATEMENTS**

- A. Abatements 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 of the proposed abatement shall be:
  - 1. at least equal to or greater than the cost of the abatement; and
  - 2. in the public interest because it will accomplish at least one of the following purposes:
    - a. increase or preserve the tax base;
    - b. provide employment opportunities;
    - c. provide or help acquire or construct public facilities;
    - d. help redevelop or renew blighted areas;
    - e. help provide access to services for residents; or
    - f. finance or provide public infrastructure.
- D. The City of Laingsburg will not support tax abatement for proposals that are not economically feasible.
- E. All projects seeking tax abatement shall have job creation and or retention.
- F. The taxable value of the 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 Laingsburg.

Example: 2015 City of Laingsburg taxable value - \$24,809,396  
Five-percent of City of Laingsburg - \$1,240,469
- G. City of Laingsburg will not issue or be a signatory on bonds in connection with abatements.
- H. Commencement of any new construction or improvements shall be within the limits set forth within the applicable act abatement being applied for.
- I. The Laingsburg City Council will not take action on any abatement unless the applicant is present at the public hearing to make a presentation and/or answer questions.

- J. The City of Laingsburg reserves the right to waive, modify, or amend any of these policies when it is in the best interest of the City of Laingsburg residents.

## II. EVALUATION CRITERIA

- A. *Private Development Objectives.* The City of Laingsburg will consider using tax abatement to help private development projects that strive to achieve one or more of the following objectives:
1. To retain local jobs and/or increase the number and diversity of high-quality jobs that offer attractive wages and benefits.
  2. To encourage additional unsubsidized private development in the City of Laingsburg, either directly or indirectly through spin-off development (without the use of tax abatement).
  3. To facilitate the development process and to achieve development of sites that would not be developed without tax abatement assistance.
  4. To remove blight and/or encourage redevelopment of commercial and industrial areas that result in high quality redevelopment, private investment, and an increase in the community tax base.
  5. To offset increased costs of redevelopment (i.e., a contaminated site clean-up) beyond the costs normally incurred in development.
  6. To provide infrastructure necessary to accommodate economic development.
  7. To meet other public policy goals, as adopted by the City of Laingsburg.
- B. *Additional Objectives.* The City of Laingsburg will also consider the following factors when evaluating tax abatement requests to help private development projects:
1. To support local businesses, extra consideration will be given to existing businesses seeking to expand and grow within the community.
  2. The extent to which the proposed project creates high-quality jobs in the community, paying wages equal to or greater than the average local wage of the same class.
  3. The extent to which the proposed project adds to the net commercial, industrial or general tax base of the community and optimizes the private development of the proposed site.
  4. Whether or not the proposed project provides services not already provided in the community or services which are needed.
  5. Whether or not the proposed business would be in direct competition with existing businesses in the community. Abatements should not be given to businesses which would receive a competitive advantage over existing businesses in the community.
  6. Whether or not the project will significantly impact environmental/natural resources.
  7. The extent to which other political subdivisions are in support of the project.
  8. The extent to which the project represents new dollars into the community.
  9. The extent to which the project requires improvements in community infrastructure, road construction, or other traffic problems. Also to be considered is the impact of the proposal on other community services such as law enforcement, human services, or prosecutions.
  10. Consistency of the proposed project with community land use regulations, zoning and planning policies.
  11. How the proposed project furthers the goals and objectives of the community and/or community.
  12. The level of private financial investment into the project.

## III. APPLICATION

- A. The applicant shall submit an application (available at City Offices) for all projects for which a tax abatement is sought from the City of Laingsburg.
- B. Applications shall include:
  - 1. A letter formally requesting tax abatement from City of Laingsburg ;
  - 2. Completed application for tax abatement with all support materials attached;
  - 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 Laingsburg. The requirement makes all abatements granted consistent with State Tax Commission Administrative Rule 55 (3), as it pertains to Public Act 198 of 1974, as amended. The report will include, but not limited to status of employment, wage level, real property project progress and costs, personal property project progress and costs (if applicable), aesthetic enhancement progress and costs as part of the project, other improvements and costs not listed within the scope of the project.

## **VI. RESCISSION OF ABATEMENT/EXEMPTION**

- A. Imposition of any rescission is at the sole discretion of the City of Laingsburg 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 Laingsburg ordinances and policies.

## Abatement Schedule

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

<b>1. Capital investment</b> \$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	<b>Years of tax abatement</b> 1 2 3 4 5 6 7	<b>Rehabilitated/restored</b>  additional two years in any capital investment
<b>2. Job creation <u>as Full Time Equivalent (40hrs.per week)</u></b> 1-10 11-25 26-50 51 and up	<b>Years of tax abatement</b>  2 3 4 5	
<b>3. Job wages</b> Average wage > 1.5x minimum wage Average wage > 2x minimum wage Average wage > 3x minimum wage	<b>Years of tax abatement</b> 2 4 6	
<b>4. Number of years located in <i>Laingsburg</i></b> 2-10 11-15 16 and up	<b>Years of tax abatement</b> 1 2 3	
<b>5. Employees with <i>Laingsburg</i> residency</b> 1-10 11-25 26+	<b>Years of tax abatement</b> 1 2 3	

**Note: Total number of tax abatement years shall not exceed statutory limits.**

## **Current abatements being used or 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.

### **PA 328 – 1998 – Personal Property Exemption**

Eligible industries: manufacturing, mining, research and development, wholesale trade and office operations.

Maximum eligible award – 100% abatement for an indeterminate number of years on new personal property investment.

### **PA 146 – 2000 – Obsolete Property Rehabilitation**

Eligible industries: any project that takes place on an obsolete property and results in a commercial or mixed-use building project.

Maximum eligible award – freezes existing taxable value on a designated facility for up to 12 years.