

## **City of Durand Industrial Facilities Exemption Policy**

### **Purpose**

The City of Durand is committed to stimulating the local economy through the attraction of high-quality development, the retention and creation of high-quality jobs, and the development of new economic opportunities within the City. Accordingly, consideration for tax abatement is viewed as a privilege, not as a property right. The purpose of this policy is to establish guidelines by which the Durand City Council will consider approval of Industrial Facilities Exemption requests, specifically establishing minimum requirements and a uniform set of standards and procedures to be used when considering a request.

This policy is not intended to supersede in any way the authority of the council to determine that which it views is in the best interest of the City of Durand by approving or denying any request. This policy shall not be construed to extend the promise of any benefit to an existing or prospective business.

### **Policy**

The Industrial Facilities Exemption Act (PA 198) provides businesses the opportunity to pursue a partial tax abatement on new real and/or personal property investments for up to twelve (12) years.

This policy hereby establishes the following minimum criteria for consideration of applications:

1. Projects must be in the public interest
2. The project must be economically feasible
3. The actual amount of years of exemption shall be based on jobs created/retained and private investment, as per the criteria that follows
4. The project does not meet any of the exclusion criteria below

### ***Public Interest***

A project shall be considered in the public interest if it will accomplish at least one of the following purposes:

1. Increase or preserve the tax base
2. Provide employment opportunities
3. Provide or help acquire or construct public facilities
4. Help redevelop or renew blighted areas
5. Help provide access to services to residents
6. Finance or provide public infrastructure
7. Accomplish development goals in the City Master Plan

### ***Economically Feasible***

The economic feasibility of projects shall be determined based on a review of project pro formas and financials. For existing businesses, a minimum of three years of financial statements must be provided. For new businesses, businesses shall work with the Office of the City Manager to determine what additional documentation must be provided.

### ***Jobs Created/Wage Consideration***

The total number of jobs created/retained must be expressed in Full Time Equivalents. Temporary, Seasonal, or Part-Time jobs created shall be counted on a pro-rata basis where 2,080 hours is equal to one full-time position. For the purposes of this policy “high-quality” jobs shall mean that the average wage for all jobs are in excess of 125% of current state minimum wage. If average wages are not anticipated to meet this threshold than applicants may be rejected or judged solely on the basis of private investment. The council, at its sole discretion, may also consider the value of employee benefits when determining whether or the not jobs created meets the definition of “high-quality”.

All applicants soliciting tax exemption on the basis of job creation will be subject to providing proof of jobs created/retained and wages throughout the term of the tax exemption. Failure to comply or failure to produce the amount of jobs stipulated may result in revocation of incentives.

### ***Private Investment***

Private investment shall be determined based on the amount of funds expended from a source that is solely private in nature. This may include cash or loans, but does not include grants, forgivable loans or other incentives. The basis of total investment for the purposes of the Exemption Chart will be derived from amounts calculated using documentation provided during the application process. The City may request additional supporting documentation as needed to prove the value of private investment. Failure to provide sufficient evidence of planned or completed investments way result in such values being uncounted.

In 2012, the State of Michigan Legislature approved a phase of out of most personal property tax. Since that phase out, Eligible Manufacturing Personal Property (EMPP) has become exempt from personal property taxation. Recognizing that the State has already undertaken efforts to incentivize personal property investments, requests which solicit personal property tax exemptions may require additional scrutiny. Specifically, the total private investment value calculated shall not include the value of any property which is already subject to or would otherwise be subject to tax exemption under current or future state legislation.

Typically, Total Private Investment can be calculated as:

- Construction Cost (Materials + Labor – Professional Service Fees)
- + Personal Property Investment (Actual or Fair Market Value of Equipment)
- Grants, Forgivable Loans, or other incentives
- Estimated EMPP or other tax exemption values
- = **Total Private Investment**

In the event there is a conflict between the Total Private Investment calculated by city staff and the applicant, the applicant may make appeal to the Durand City Council by written request.

**Exemption Chart**

The following table shall serve as a recommendation to council regarding the level of incentive appropriate for each qualifying project:

Total Private Investment	Jobs Created/Retained								
	0-5	6-10	11-20	21-30	31-40	41-50	51-75	76-100	100+
\$400,000 to \$500,000	<i>na</i>	<i>na</i>	2	4	4	6	8	10	12
\$500,000 to \$600,000	2	2	4	4	6	8	10	12	12
\$600,001 to \$750,000	4	4	6	6	8	10	10	12	12
\$750,001 to \$1M	4	6	6	8	8	10	12	12	12
\$1,000,001 to \$1,500,000	6	6	8	8	10	10	12	12	12
\$1,500,001 to \$2M	6	8	8	10	10	12	12	12	12
\$2M+	8	8	10	10	12	12	12	12	12

**Exclusions**

As part of its effort to act in the public interest of existing taxpayers of the City of Durand, projects may be excluded from consideration if any of the following criteria exist:

1. The project would result in direct competition with an existing business that may result in providing one business an unfair competitive advantage over the other.
2. The project would significantly harm environmental or natural resources of the city.

3. The project requires significant infrastructure improvement at the city's expenses or other anticipated costs to the city (i.e. expansion of services, future maintenance, ect) such that an exemption would likely result in a negative net value to the city.
4. That property owner and/or business owner, if other, are delinquent on any city utility bills, taxes, or other fees; or said business or other businesses owned by the same owner are subject to any outstanding code violations (unless such violations would be resolved under the proposed project scope).

### **Application**

Businesses interested in pursuing an exemption through the Industrial Facilities Exemption Act must complete an application and submit it to the Office of the City Manager. Such application shall be in addition to any application or documentation required by the State of Michigan for final submission. Application criteria and form shall be established by the City Manager and periodically amended as necessary.

### **Revocation of Exemption**

Imposition of any revocation is at the sole discretion of the City of Durand and shall be considered on a case-by-case basis in compliance with the Industrial Facilities Exemption Act. Revocation shall not violate the statutory requirements of the act in any way but may include but not be limited to:

1. Sale or closure of the facility and departure of the company from the jurisdiction unless 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 act or this policy.
3. Significant employment reductions not reflective of the company's normal business cycle and/or major local and national economic condition.
4. Failure to achieve the minimum number of net new jobs and wage level as specified in the application.
5. Failure to perform requirements outlined in the Letter of Agreement/Development Agreement with the City.
6. Failure to complete the project in a timely manner as specified in the act.
7. Failure to comply with reporting requirements.
8. Failure to pay annual taxes timely on real or personal property not exempt under the approved exemption.
9. Failure to comply with the City's ordinances and policies.

### **Other Provisions**

**Public Hearing.** The Council shall not take any action to approve a request unless an authorized representative of the applicant is present to answer questions during the public hearing.

**Limits on Abatement Value.** In no instance shall 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 (5) percent of taxable value of the City of Durand.

**Construction.** Commencement of any new construction or improvements shall be within the limits set forth within the Industrial Facilities Exemption Act or the same as amended.

ADOPTED FEBRUARY 3, 2020