



CITY COUNCIL AGENDA ITEM

Date: February 14, 2012

To: Mayor and City Council

From: John Szerlag, City Manager
Mark F. Miller, Director of Economic and Community Development
Cindy Stewart, Community Affairs Director
Nino Licari, City Assessor
Glenn Lapin, Economic Development Specialist

Subject: Tax Abatement Policy

Per the request of Mayor Janice Daniels, information regarding Troy's current policy on tax abatement is being provided to all City Council. Attached is a copy of the City of Troy P.A. 198 Industrial Facilities Tax Exemption (Tax Abatement) Guidelines along with a list of current program participants.

The State of Michigan's Public Act 198 of 1974, the Industrial Facilities Tax Exemption Act, is one of the oldest and most widely used tax incentive programs in Michigan. Prompted by declining investment in industrial facilities through the 1960's, P.A. 198 was passed in an effort to help retain the State's manufacturing jobs and encourage new investment.

P.A. 198 is the only locally approved Troy tax abatement program currently in place. The program objective is to increase employment opportunities, diversify and stabilize the tax base, reduce economic obsolescence, provide homogeneous industrial areas, encourage expansion, provide for improved public facilities, encourage attractive and viable building sites, and enhance our economic development tools to attract and retain businesses.

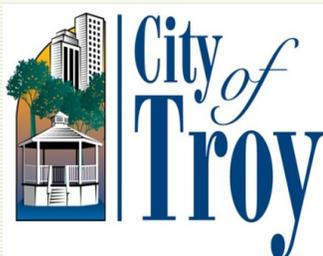
PA 198 allows companies to receive approximately a 50% reduction in their anticipated new real or personal property tax liability for up to 12 years based upon the locally established criteria. The applicant must meet two of the three following criteria: 1) will create more than 10 jobs; 2) has a real and/or personal property investment of at least \$750,000; 3) owns the underlying real property or has a lease for the underlying property for a minimum term of 5 years. The Application fee is 2% of the estimated personal property taxes abated or the actual cost of processing the application, whichever is less. Two years after the December 31 abatement approval, the applicant will supply the City Assessor with a letter confirming that purchases, employment numbers, and/or renovations are complete. If the figures have not been reached, the abatement may be cancelled or reduced.

In summary, tax incentives/abatements have been used extensively throughout Michigan and the U.S. to help level the playing field for business site decisions. Many companies use consultants to facilitate the tax abatement request. The P.A. 198 Industrial Facilities Tax Exemption is currently offered in Troy. Each request for abatement through P.A. 198 comes before City Council for approval or denial.

*City of Troy
Tax Abatement
Statement of
Purpose*

WHEREAS, The City of Troy has the economic objective of:

- increasing employment opportunities,
- diversifying and stabilizing the tax base of the community,
- reducing economic obsolescence,
- providing homogenous industrial areas,
- encouraging expansion,
- providing for improved public facilities,
- encouraging attractive, viable building sites and
- enhancing our economic development tools to attract and retain businesses



CITY OF TROY P.A. 198 INDUSTRIAL FACILITIES TAX EXEMPTION (TAX ABATEMENT) GUIDELINES

A company that is in the planning phase of a major business attraction or expansion project that will include a capital investment in real and/or personal property may be eligible for a P.A. 198 Industrial Facilities Tax Exemption (tax abatement). Established by the State of Michigan, P.A. 198 tax exemptions allow companies to receive approximately a 50% reduction in their anticipated new real or personal property tax liability. Troy City Council has adopted the following criteria to establish eligible applications for consideration of a real and/or personal property tax abatement.

POLICY ELIGIBILITY CRITERIA:

1. An Industrial Facilities Exemption Certificate (IFEC) tax abatement shall not be granted until there is compliance with MCL 207.559; and
2. Any real and/or personal property tax abatement at a minimum must be revenue neutral to the City of Troy.
3. Leasehold property shall not qualify for an IFEC tax abatement unless applicant is responsible for payment of the property taxes, and can demonstrate timely payment of property taxes upon the City's request; and
4. An IFEC tax abatement shall not be issued for a period or term exceeding 12 years; and
5. An IFEC tax abatement shall not be issued unless an Applicant meets two of the three criteria listed below:
 - will create more than 10 jobs
 - has a real and/or personal property investment of at least \$750,000.00
 - owns the underlying real property or has a lease for the underlying property for a minimum term of 5 years

APPLICATION PROCESS:

Once a company has determined that it meets the minimum criteria for consideration of a tax abatement, then a company may begin the process of formally applying for the IFEC. The process is as follows:

1. Letter of Intent submitted on Applicant's letterhead to the City Assessor (purchases made after the Letter of Intent is submitted may then be eligible for Tax Abatement. No purchases made before the submittal are eligible).
2. Complete Michigan Department of Treasury Form 1012 (Rev 4-06)
 - Include with the form:
 - a. Detailed list of personal property to be purchased including anticipated dates of purchase and cost
 - b. Cost Sheet for anticipated improvements in real property
 - c. Lease Agreement showing building terms and applicants' tax liability (if applicable)
3. Submit application and attachments to City Assessor
4. City Council Public Hearings are scheduled
5. City Council establishment of the District and approval of the IFEC
6. Resolution submitted to State Tax Commission for final approval and issuance of certificates
7. December 31st of the year the certificate is awarded – the projected investment must be complete within two years.

LENGTH OF THE TAX ABATEMENT:

Troy City Council has approved the use of the following matrix to calculate the length of an IFEC tax abatement, where the increase in the number of jobs created will increase the term of the IFEC abatement, and similarly the increase in the personal property investment and the ownership/lease conditions on the real property will increase the term of the IFEC abatement:

Tax Abatement Matrix for Real and Personal Property					
Categories					
Job Creation		Building Terms		RP and/or PP Investment	
10 - 24	1 year	Own	4 years	\$ 750,000	1 year
25 - 49	2 years	Lease		\$ 2,000,000	2 years
50 - 99	3 years	5 year	1 Year	\$ 5,000,000	3 years
100 - 149	4 years	6 - 9 year	2 years	\$ 10,000,000	4 years
150 - 199	5 years	10 + year	4 years	\$ 20,000,000	5 years
200 +	6 years				

Must meet two of the three criteria

Example:

Company A is planning to lease R&D space for their new high tech facility. The company will sign a 5 year lease and will purchase \$4 million in new equipment and computers. The company will create 100 jobs with this investment.

Therefore, the company would be eligible to receive:

4 years – (jobs created) **PLUS**

1 year – (building terms) **PLUS**

2 years – (personal property investment)

7 years total for personal property tax abatement

TAX ABATEMENT APPLICATION FEE:

The Troy City Council has authorized the implementation of an application fee equal to 2% of the estimated personal property taxes abated under the terms of the IFEC tax abatement, or the actual costs of processing the application, whichever is less. The City of Troy will not charge or collect any other fees for the application, in keeping with MCL 207.555 (3).

REQUIREMENTS AFTER TAX ABATEMENT IS APPROVED:

By the December 31 date that is 2 years after the December 31 of the year that the abatement is approved, the applicant will supply the City Assessor with a Letter confirming that the purchases, employment numbers, and/or renovations are complete. If these figures have not been reached, a letter of explanation must be submitted to the City Assessor, for review by City Council, which may then cancel the abatement, or offer a new abatement with reduced values and years.

For assistance with your business attraction and retention needs, please contact the City Manager's Office at 248.524.3330. For assistance with the IFEC process and application, please contact the City Assessor's Office at 248.524.3311.

**City of Troy - Assessing Department
2012 I.F.T. Roll
New Facility 1/2 Rate Listing**

Parcel ID	S.D.	Cert #	New (1/2 rate)	Repla ce (full rate)	SET	Start	End	Company	Address	2012 A/V	2012 C/V	2012 T/V
88-IP-03-100-085	260	2003-085	X		0	12/30/03	12/30/15	Behr America	2700 Daley			
88-IP-07-100-256	230	2007-256	X		6.00	12/21/07	12/30/19	Kostal	350 Stephenson			
88-IP-07-200-350	260	2007-350	X		6.00	12/31/07	12/30/19	LMS NA	5755 New King	142,450	142,450	142,450
88-IP-08-200-036	268	2008-036	X		0	12/31/08	12/30/20	Seco Tools	2805 Bellingham			
88-IP-08-100-094	750	2008-094	X		6.00	12/31/08	12/30/13	Intern'l Auto	750 - 800 Chicago			
88-IP-08-300-144	750	2008-144	X		6.00	12/31/08	12/30/20	Republic Apt	1889 Larchwood			
88-IP-08-100-363	260	2008-363	X		6.00	12/31/08	12/30/20	EcoMotors	1055 W Sq Lake	0	0	0 revoked 11/21/2011
88-IP-08-100-507	260	2008-507	X		6.00	12/31/08	12/30/16	Faurecia	2350 Meijer	0	0	0 revoked 12/19/2011
88-IP-08-400-506	260	2008-506	X		3.00	12/31/08	12/30/20	Pro Metal	2341 Alger			
88-IP-08-500-508	750	2008-508	X		6.00	12/31/08	12/30/20	Tepel Bros.	1725 John R			
88-IP-09-100-231	260	2009-231	X		6.00	12/31/09	12/30/15	X-Ray Ind	1961 Thunderbird			
88-IP-09-100-393	260	2009-393	X		6.00	12/31/10	12/31/15	Axle Tech	1400 Rochester			
88-IP-10-100-389	260	2010-389	X		6.00	12/31/10	12/31/22	Witzenmann	1201 Stephenson			
	260		X		6.00	12/31/10		Metro Tech	1462 E Big Beaver			
	260		X			12/31/10		Sulzer Metco	1972 Meijer			
	260		X			12/31/10		Meritor Heavy	2135 W Maple			
	750		X			12/31/10		Magna PT	1932 Technology			

City of Troy - Assessing Department

2012 I.F.T. Roll

New Facility 1/2 Rate Listing

Parcel ID	S.D.	Cert #	New (1/2 rate)	Repla ce (full rate)	SET	Start	End	Company	Address	2012 A/V	2012 C/V	2012 T/V
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1/2 Rate Summary

Total	All	142,450	142,450	142,450
	230	0	0	0
	260	#REF!	142,450	142,450
	268	0	0	0
	750	0	0	0

Check Total #REF! 142,450 142,450

Replacement Facility Full Rate Listing

88-IR-10-100-174	260	2010-174		X	6.00	12/31/10	12/31/22	Axle Tech	1400 Rochester	1,297,620	1,167,280	1,167,280
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