

City of Bessemer

Policies

General Subject: General

Specific Subject: Tax Abatement and Incentive Policy

Policy Number: G17

Date adopted: 7/6/20

Effective Date: 7/7/20

Date Revised:

Statement: The City of Bessemer 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 Downtown Development Authority 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's 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. PA 198 1974 Industrial Property Tax Exemption
2. PA 255 1978 Reinstated 2009 — Commercial Redevelopment Tax
3. PA 210 -2005 — Commercial Rehabilitation Tax
4. PA 328 — 1998 — Personal Property Tax Relief in Distressed Communities
5. PA 146 2000 — Obsolete Property Rehabilitation Act
6. PA 198 New Warehousing, Distribution and Logistics Facilities in Border Counties

Incentives Include:

1. Tax Increment Financing Assistance in the form of Popup Shop funding (Per DDA policy & City Council Budget Oversight)

2. Tax Increment Financing Assistance in the form of Facade Funding (Per DDA policy & City Council Budget Oversight)

More information about incentives can be found at CityofBessemer.org/DDA

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 Bessemer.
 - Example: 2020 City of Bessemer potential taxable value - \$29,887,000
 - Five Percent of City of Bessemer - \$1,494,350
- 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 Bessemer will consider using tax abatement and local incentives to help private development projects that ideally achieve 2 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 outdoor uses such as dining, seating, recreations etc.
5. Include strong pedestrian features and design
6. Include residential uses particularly near the downtown
7. Provide multiple stories
8. Provide total investment of over \$10,000,000 or 10 FTE
9. Satisfy specific plan goal
10. Involve development of the industrial park
11. Meet other criteria undetermined at this time.

B. Additional Objectives. Some investments and their consequences are difficult to foresee, requiring flexibility in the decision-making process. The City of Bessemer 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.
6. The extent to which the project satisfies or requires improvements in city infrastructure, traffic control, or services such as law enforcement.
7. Consistency of the proposed project with city land use regulations, zoning and planning policies.
8. How the proposed project furthers the goals and objectives of the city and/or community.
9. 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 Bessemer.
- B. Applications shall include:
1. A letter formally requesting tax abatement or incentive from City of Bessemer;
 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 Bessemer. 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 Bessemer and shall be considered on a case-by-case basis in compliance within the applicable act under review. 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 or failure to stay current on utility payments.
8. causes environmental contamination within the City
9. appeals the valuation of any real or personal property to the Michigan Tax Tribunal
10. discharges waste that causes damage to the wastewater system
11. failure to cooperate with the City of Bessemer ordinances and policies.

All parties will sign an agreement agreeing to rescission terms. The City may seek revocation of the tax abatement and conduct a public hearing. The City shall provide the company with thirty (30) day written notice of the hearing date and publish a notice in the local newspaper no less than one week prior to the hearing date. If the City determines to seek revocation of the tax abatement, it may also at the same meeting seek repayment of all taxes abated under the tax abatement.

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	Rehabilitation/ Restoration Additional two years if building didn't utilize Brownfield's and significantly rehabilitates or restores the_building
2. Job Creation as Full Time Equivalent 1-10 11-25 26-50 51 +	Years of Tax abatement 2 3 4 5	
3. Job Wages Median Wage > 1.5 minimum wage Median Wage > 2x Minimum wage Median Wage > 3x minimum wage	Years of Tax abatement 2 4 6	
4. Number of Years located in City 2-10 11<5 16+	Years of Tax abatement 1 2 3	
5. Private Development Objectives 4-5 6-7 8+	Years of Tax abatement 2 3 4	

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

Current Abatements Available

PA 198 — 1974 — Industrial Property Tax Exemption

Eligible industries: manufacturing, research and development, high4ech, 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 2110 — 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 Tax Relief in Distressed Communities

Eligible industries: Manufacturing mining, research and development, wholesale trade and office operations. Maximum eligible award exempt new personal property taxes for a length of time determined by city.

PA 146 — 2000 Obsolete Property Rehabilitation Act

Eligible Industries: commercial or mixed-use project that take place on an obsolete property. Maximum eligible award: Freezes taxable value for up to 12 years. State treasurer may approve reductions of half of the school operation and state education taxes for up to six years.

PA 198 New Warehousing, Distribution and Logistic Facilities in Border Counties

Eligible Industries: New warehousing, distribution, or logistics Maximum eligible award: 50% reduction in property taxes up to 12 years.

Bessemer Tax Abatement Procedures

1. Contact made from perspective applicant of tax abatement.
 - a. City of Bessemer Abatement & Incentive Policy and Application given to applicant.
 - b. Give notice to city manager, city clerk, and 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 (If necessary)
 - a. Prepare memo to council explaining the project and if the applicant qualifies for an abatement/exemption per the city's policy.
 - 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 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,
 - 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 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?
- a. In the public interest, will the abatement accomplish any of the following purposes?
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.
- B. Does the abatement apply to a RRC site?

II. EVALUATION CRITERIA

- A. Private Development Objectives, Will using tax abatement help the development project strive to achieve two 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 outdoor uses such as dining, seating, recreations etc.
 - 5. Include strong pedestrian features and design
 - 6. Include residential uses particularly near the downtown
 - 7. Provide multiple stories
 - 8. Provide total investment of over \$10,000,000 or 10 FTE
 - 9. Satisfy specific plan goal
 - 10. Involve development of the industrial park
 - 11. Meet other criteria undetermined at this time.

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 \$ _____

Unskilled Wage level \$ _____

Name of Company Officer (contact person) _____

Title _____

Signature _____ Date _____

Phone Number _____ Email Address _____