



## Industrial Facilities Tax Exemption (PA 198)

### City of Ypsilanti

October 21, 2008

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#### Section A – Industrial Facilities Tax Exemption Guidelines

##### Introduction

The intent of this document is to outline the policies and procedures adopted by the City of Ypsilanti regarding tax abatements for the establishment of new and expanded industrial facilities under Act 198 of the Public Acts of 1974, as amended.

The City of Ypsilanti's urban environment, heritage, and culture present the community with a unique opportunity to encourage and support sustainable economic development. The City is committed to working closely with entrepreneurs, business owners, and developers to provide a business-friendly climate while meeting the needs of the Ypsilanti community.

##### IFT Abatement Facts

In accordance with Michigan Public Act 198 of 1974 (Section 16) the City of Ypsilanti will decide whether or not to approve the abatement request, as well as determining the length of tax abatement if appropriate. This consideration shall be made according to consideration of the PA 198 application and materials provided.

For restoration, renovation of or addition to an existing facility within a district, taxable value (real and personal property) of the facility may be frozen at the pre-restoration, pre-renovation or pre-addition level for a term of up to 12 years, as determined by City Council.

Qualified new projects may apply for an exemption of 50% of the rate of all (improved real and personal) property taxes, except the state education tax (6 mills), for a term of up to 12 years, as determined by the local unit. Liability for half of the six-mill State Education Tax may be waived, but is determined by the state.

Exemptions can apply to buildings, building improvements, machinery, equipment, furniture, and fixtures. Instead of a property tax, the applicant pays an Industrial Facilities Tax (IFT).

Ypsilanti City Council retains discretionary power for final determination and is not bound to using the information included in this packet when acting on an abatement request.

### **General Requirements for Tax Abatements**

The City of Ypsilanti, in an ongoing spirit of cooperation and collaboration, expects all applicants to be current in their property tax payments, hold no liens against their property, have no outstanding fines, and be in compliance with all city codes.

The project must be completed within two years.

Please see the "criteria" section of this packet for application requirements.

### **Eligible facilities**

A granted exemption covers only the specific project that is the subject of the application.

New facilities, expansions, and rehabilitation will be considered for abatements. Buildings or equipment that existed prior to the construction of a new facility are not exempt. Also, any buildings or equipment added after completion of the project are fully taxable.

Facilities eligible for tax abatement include plants which manufacture or process goods or materials by physical or chemical change, as well as innovative manufacturing activity. Related facilities of Michigan manufacturers, such as offices, engineering, research and development, warehousing or parts distribution are also eligible for exemption. Eligible industrial property also includes high technology activity, as defined by the Michigan Economic Growth Authority (MEGA): advanced computing, advanced materials, biotechnology, electronic device technology, engineering or laboratory testing, medical device technology, product research and development, and advanced vehicles technology.

### **Revocation**

If at any time during the abatement period the terms and conditions are violated, the exemption may be revoked.

### **Questions?**

Contact the Planning and Development Department at (734) 483-9646 with further questions regarding Act 198 tax exemption certificates.

## **Section B – Criteria for Granting Industrial Facilities Tax Exemptions**

Priority will be given to applicants whose proposed projects can meet or exceed the City's criteria for granting tax abatements. Supporting evidence for any application must demonstrate that:

- 1) no outstanding back taxes, fines, or liens are owed to the city
- 2) upon completion of the project, a Certificate of Occupancy has been obtained
- 3) the applicant will offer employees a living wage (currently \$10/ hour without health benefits and \$8.50/hour with health benefits) who work on the improvement or expansion of the facility, and to other employees of the applicant working in the workplace or location receiving the abatement
- 4) the applicant, contactors, sub-contractors and tenants will make a concerted effort to employ primarily residents of the City of Ypsilanti
- 5) the project will use context sensitive design in building development with special attention to storm water management and energy efficient design
- 6) preferably, new projects represent new economy businesses, green technologies, and/or innovative business models.
- 7) the implementation of a project has not begun prior to tax abatement approval
- 8) The applicant is an equal opportunity employer.
- 9) The project is in compliance with Historic District Commission guidelines, if applicable.
- 10) The tax abatement is required for the success of the project. This evidence will be in the form of a written statement addressed to City Council.

Applications will further be considered in light of the following economic development/redevelopment goals of the City of Ypsilanti:

1. Promoting the growth and expansion of existing businesses and the growth and development of local entrepreneurs.
2. Encouraging the adaptive reuse of historic and underutilized buildings including properties that are currently tax exempt, and supporting Brownfield cleanup and redevelopment.
3. Attracting businesses that diversify the city's commercial and industrial base and contribute to the economic and social well-being of the community.

4. Supporting and attracting businesses that further develop the local workforce by increasing the personal income of residents, diversifying the job base, and creating new jobs.
5. Promoting energy efficiency in building renovations and rebuilds.
6. Continuously improving the quality of life in Ypsilanti.

Any portion of this policy or the procedures outlined may be waived by the City Council if it is in the best interest of the City and in accordance with State law. The City of Ypsilanti also reserves the right to consider additional goals and criteria that are consistent with the interests of the City.

## **Section C – Industrial Facilities Tax Exemption Application Process**

### *Creating the district*

- 1) A written request is made to the City to establish an Industrial Development or Plant Rehabilitation District prior to the start of the project.
- 2) Notice is given to the public and certified letters to the owners of the property located in the proposed district that a hearing is to be held concerning the establishment of the district.
- 3) A hearing is held before City Council to establish the district. District is established or denied.

### *Application Process*

- 4) Submit application and all supporting materials to the City Clerk's office.
  - a. IFT district must be established before construction can begin
  - b. Application must be filed within six months from the start of construction or personal property acquisition.
  - c. Application must be complete
- 5) A notice is issued to the public and certified letters to all taxing authorities (schools, etc.) advising of the date of the hearing for approval of the application. (Notice should be given at least 10 days prior to the hearing)
- 6) A hearing is held on the approval or denial of application.
- 7) Upon approval or denial (an appeal of a denial must be submitted to the State Tax Commission within 10 days of the denial). FOUR copies of the application must be submitted to the State Tax Commission for review and approval.
- 8) For local units whose State Equalized Value (S.E.V) of abated industrial and commercial real and personal property exceeds 5% of the total S.E.V. of the total S.E.V. of real and personal property for the city, Form T-1044 supplement or T-1044 Fiscal statement for Tax Abatement Request Summary Information is required.

**Section D – Industrial Facilities Tax Exemption Applicant Checklist of Documents and Attachments**

Four Copies of each the following materials should be submitted to the City:

- A written statement requesting the creation of an Industrial Facility Tax Exemption District
- PA 198 application (submit original signed application to City Assessor’s Office)
- Legal description of property
- List of existing equipment (Personal Property applications only)
- List of new equipment to be purchased in the form of a certified statement (Personal Property applications only)
- Equal Employment Opportunity statement
- Statement addressing specific city criteria, as outlined in this packet, as well as the importance of the tax abatement to the project.
- A pro forma for the proposed project.
- Application Fee
- 2 signed original Affidavit of Fees
- Any supplemental information necessary to support the application

<ul style="list-style-type: none"> <li><input type="checkbox"/> Drawing of the property (copy of reduced site plan)</li> <li><input type="checkbox"/> Copy of Building Permit</li> <li><input type="checkbox"/> Copy of Historic District Commission approval letter, if applicable.</li> <li><input type="checkbox"/> Complete copy of lease agreement, if applicable.</li> </ul>	<p>These items are not required for Personal Property Applications</p>
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Please see the “Criteria” section of this packet for clarification of any of the above materials.

**It is the burden of the applicant to provide sufficient materials to support an application. The City of Ypsilanti holds no responsibility in the submission of an application or supporting materials. Incomplete applications will not be considered.**

\_\_\_\_\_

City Clerk sign when complete

Date Stamp

**Section E – Industrial Facilities Tax Exemption Affidavit of Fees**

In accordance with State Tax Commission Bulletin No. 3 dated January 1998, the Local Unit and Applicant for Industrial Facilities Exemption Certificate do hereby swear and affirm that no payment of any kind, whether they be referred to as “fees,” “payments in lieu of taxes,” “donations,” or by other like terms, such payments are contrary to the legislative intent of Act 198 that exemption certificates have the effect of abating all ad valorem property taxes levied by taxing units with the unit of local government with approves the certificate.

We do swear and affirm by out signatures below that “no payment of any kind in excess of the fee allowed, as amended by Public Act 323 of 1996, has been made or promised in exchange for favorable consideration of an exemption certificate application.”

**City of Ypsilanti**

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**Applicant/ Company**

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_