


CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-40	HISTORY
		FILE #
	DATE: May 9, 2000	DATE
	FILE NUMBER: 67286	
	DEPARTMENT: Planning & Dev.	

SUBJECT: **EXPANSION OF EXISTING RENAISSANCE ZONE AREAS AND CREATION OF NEW ZONES**

PURPOSE: The City's goals in expanding the Renaissance Zone are:

1. To create jobs;
2. To encourage investment;
3. To clean up and reutilize vacant and underutilized properties; and
4. To use the four new zones strategically in a way that maximizes goals one through three

POLICY:

Background

In 1997, the City of Grand Rapids was selected as one of eleven Renaissance Zones in Michigan. The City designated 530 acres, located in six areas, to be virtually tax free for fifteen years. The goal of the program is to encourage investment and create jobs by reutilizing vacant, contaminated, and underutilized properties in blighted neighborhoods and industrial zones. Through January 1, 2000, over \$68,000,000 of private investment has been made in the Zone, creating over 700 jobs. The City is investing \$530,000 in forgiven property and income taxes annually.

In 1999, the State of Michigan approved legislation which allows communities to apply to the Michigan Economic Development Corporation to expand contiguous to existing Renaissance Zones and designate up to four more zone areas. Application can be made to the State in 2000 and 2001.

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Program

The City will establish a program which allows for individuals, businesses, developers and business areas to submit proposals for adding properties in Grand Rapids to the City's Renaissance Zone. Applications will be accepted to add parcels to the existing Zones and to create four new zones in 2000 and 2001. Applications will be evaluated on the basis of the criteria identified in this policy. The new areas would become effective on the January 1st following their approval by the State.

Process

Proposal Content: All proposals must demonstrate that the project cannot reasonably be facilitated in an existing Renaissance Zone. It must identify the parcels being proposed for addition to the Zone or for inclusion in a new zone, the amount of real and personal property tax currently assessed to the site(s), and verify that the property meets the required number of threshold criteria. Also, proposals should describe the type of use, amount of investment, jobs to be created, and other pertinent information about the project.

Review: Proposals will be reviewed by the City's Economic Development Staff Team based on the extent to which the project addresses the evaluating factors cited in this policy. Recommendations will then be made to the City Commission, which on a case-by-case basis, will review the capacity, if any, below the modified (see next paragraph) \$500,000 cap of property and income tax revenue it may forego to support the Renaissance Zone program. Once approved by the City Commission, projects will be submitted to the Michigan Economic Development Corporation for final approval.

Investment Cap Limitation

- ◆ The original City Renaissance Zone established an investment cap in 1997 at \$500,000, focusing solely on lost City tax revenue.
- ◆ This revised policy maintains the \$500,000 cap, but will evaluate projects on a case-by-case basis to determine whether the project is cap neutral, adds cap capacity or reduces available cap capacity.
- ◆ Cap Capacity will be determined by analyzing the annual value of income tax receipts from new jobs created within the City Renaissance Zones. The value will be used to calculate the available cap capacity as follows:

\$500,000	Base Cap Established 1997
\$320,000	Capacity Factor: (Actual Cap – Job Value) = Capacity Factor \$530,000 - \$210,000 = \$320,000
\$180,000	Available Cap Capacity as of April 2000

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Where:

- Base Cap = The Cap of \$500,000 established by City Commission in 1997
- Capacity Factor = The difference between the actual Cap and the Job Value which indicates the amount of Cap Capacity expended to date in the Renaissance Zone program.
- Actual Cap = The estimated amount of actual property and income tax abated as of January 1997.
- Job Value = The total number of jobs created by all projects in the City's Renaissance Zone multiplied by an estimated income tax value of \$300 per job.

- ◆ A project's cap capacity impact will be determined by calculating the difference between property tax loss and income tax generated. Projects may be neutral, may add cap capacity or may reduce cap capacity.

Development Agreement

Successful applicants will be required to enter into a development agreement with the City committing to the investment and/or job creation it has proposed and posting a performance bond or other guarantee of performance acceptable to the City. The City Commission will make a determination as to the number of years each new or expanded area will be designated as a zone on a case-by-case basis and in compliance with State law. In no case will the designation be for more than fifteen years.

Threshold Criteria

Section 1

All applicants must demonstrate that projects cannot reasonably be facilitated in an existing Renaissance Zone.

Section 2

Projects to be considered for designation must meet certain threshold criteria, depending on their location.

Project Location

Number of Criteria That Must be Met

- ◆ Contiguous to Existing Zone
(expansion of existing zone)One

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- ◆ In the General Target Area But Not Contiguous with Existing Zone (new designation).....Two
- ◆ Outside the General Target Area (new designation)Three

Threshold Criteria

- a. Property has been vacant or fifty percent of building(s) unoccupied, for at least one year.
- b. Project will be a catalyst for a major development or for multiple redevelopment opportunities in the City.
- c. Property is a contaminated site or functionally obsolete, as defined by current Michigan law.
- d. Project shows other evidence of under-utilization or disinvestment.

Evaluation Factors

Proposals for adding parcels adjacent to existing Zone areas or creating new zones which meet the threshold criteria will be considered based on the extent to which a project addresses the following evaluation factors:

- a. The amount of income tax to be generated by new jobs relative to the amount of local City taxes abated.
- b. The amount of investment in buildings and equipment.
- c. The project allows a business to expand in the City, retains a significant number of jobs in the City, and/or will add jobs.
- d. The project includes other investment in neighborhood revitalization or public infrastructure improvements or utilizes other public and private financing tools to maximize redevelopment benefits.
- e. In the case of residential property, the extent to which the project provides incentives for housing that will deconcentrate poverty, creates mixed use redevelopment (or develops downtown housing).
- f. The amount of tax loss for all projects does not exceed the amount the City Commission identifies for support of Renaissance Zones.
- g. The extent to which designation may adversely affect DDA or other City financial obligations.

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- h. The project will enhance an area of the City and/or cause additional investment.
- i. The project is consistent with a redevelopment plan.
- j. Compliance with the following City ordinances and policies:
 - 1) All applicants must be current with all real and personal property taxes.
 - 2) All applicants must not be under written orders for violations of the zoning ordinance.
 - 3) All applicants must have a satisfactory record of compliance with regulations enforced by the City's Environmental Protection Department.
 - 4) If applicant's project exceeds \$600,000 or total employment upon completion of project is likely to equal or exceed fifteen (15) persons, then they must receive certification of the applicant's equal opportunity practices from the Equal Opportunity Department. If the project is below \$600,000 and employment is not likely to exceed 15, then the company is not required to be certified.

Other Conditions

The City reserves the right to not award Renaissance Zone status to any or all proposals, nor is it obligated to abate taxes to the limit of capacity available. It may also decide to exceed the cap, if it believes the benefits of a project to the City warrant doing so. New Renaissance Zone designations are subject to approval by the Michigan Economic Development Corporation.