


CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-47	HISTORY
	DATE: August 29, 2006	FILE # DATE
	FILE NUMBER: 75353	
	DEPARTMENT: ECONOMIC DEV.	

SUBJECT: **APPROVAL OF VARIOUS EXEMPTION CERTIFICATES FOR QUALIFYING COMPANIES LOCATED WITHIN AN EXISTING RENAISSANCE ZONE**

- PURPOSE:**
- 1) To encourage the renovation and expansion of manufacturing and qualified high tech companies located within a Renaissance Zone.
 - 2) To encourage the investment in personal property and the creation of new jobs.
 - 3) To encourage the rehabilitation of obsolete structures.
 - 4) To provide guidance in determining the number of years a Certificate would be approved.

BACKGROUND:

The City established various Renaissance Zones in the City of Grand Rapids. These Zones provide a great benefit to companies located in the Zone by abating almost all of the real and personal property taxes, and corporate City income tax along with the State’s Single Business Tax.

The Zones were approved for 15 years and the six original Zones will expire 2011 with a phase out period that begins in 2009. The second series of Zones will expire 2017 with a phase out period that begins in 2015.

CURRENT SITUATION:

Since the phase out period is only a few years away, some companies that qualify for P.A. 198, P.A. 146 or P.A. 328 are requesting to be approved under the Acts so they might receive the partial benefits during the phase out period and the full benefit of the Acts after the Zone expires for the remaining life of the Certificate.

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POLICY:

The City Commission will consider the exemption request if the applicant has met these two requirements:

1. The applicant will supply a statement of Renaissance Zone outcomes, which include the number of years that the applicant has been in the Zone, the total investment in the property and building, the investment in personal property, the employment at the start of the Zone and the company's current employment.
2. The applicant qualifies under the appropriate City Commission Policy 900-09, 900-38, or 900-42.

When an applicant has met these two requirements, City staff will analyze the company's tax savings.

1. Renaissance Zone Tax Savings

Based on the company's location in the Renaissance Zone, City staff will estimate the City property tax savings related to the current project for the remaining years of the Zone.

2. P.A. Tax Exemption Savings

City staff will estimate the City property tax savings produced by the exemption as if the project were not in the Renaissance Zone. This estimate will be considered the maximum amount of City property tax benefit that the company could receive.

3. City staff will then compare the two estimates. The Renaissance Zone benefit will be credited against the P.A. Tax Exemption's maximum benefit (either P.A. 198, P.A. 146, or P.A. 328).

The City Commission could then approve the Exemption Certificate for a limited number of years, which would allow the company to receive the established maximum benefit of the Exemption Certificate.

EXAMPLE – CITY PROPERTY TAX SAVINGS

Maximum benefit for the appropriate Exemption Certificate abatement if not in Zone is:	\$15,000
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Renaissance Zone benefit remaining for expansion project in Renaissance Zone is:	<u>\$ 7,000</u>
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Remaining maximum benefit:	\$ 8,000
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The number of years approved for the exemption would allow the remaining benefit of \$8,000 to be realized over the approved term. In this case, the Exemption Certificate would be approved for less than the usual 12 years.

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OTHER CONSIDERATIONS

Other factors that can be taken into consideration include:

1. Will there be significant new jobs created or brought to the City?
2. Job retention.
3. Length of time that property was vacant.
4. Will the project be a catalyst for other development?
5. What are the barriers to reutilizing the property?
6. Will the project have an impact on other businesses?
7. Has there been continued disinvestment in the area?
8. Are other incentive programs being used?
9. Other information pertinent to the project.

Attachment A to this policy further outlines these considerations and other factors that may be used to analyze the project.

POLICY WAIVER

The City Commission may waive this policy or any portion of it, when the Commission deems it in the best interest of the City.

ATTACHMENT A

Exemption Certificate - Renaissance Zone Overlay Project Analysis

- A. History
 - 1. Number of years applicant has been in Zone.
 - 2. Total investment to date.
 - 3. Number of jobs prior to Zone occupancy.
 - 4. Number of jobs added since occupancy.

- B. Financial Analysis
 - 1. What is the amount of investment of the current project?
 - 2. What is the projected Renaissance Zone City property tax savings for the new investment for the remainder of the Renaissance Zone program?
 - 3. What are the estimated City property tax savings of a twelve-year abatement, either P.A. 198, P.A. 146 or P.A. 328, if the project were not in a Renaissance Zone?
 - 4. Is the Exemption Certificate value higher than the Renaissance Zone value?
 - 5. If the answer to number four is yes, then the time period for the Exemption Certificate will be adjusted.

- C. Other Considerations
 - 1. What are the barriers to reutilizing the property?
 - 2. Will there be significant new jobs created or brought to the City?
 - 3. Job retention.
 - 4. Length of time that property was vacant.
 - 5. Has there been continued disinvestment in the area?
 - 6. Will the investment spur other development?
 - 7. Will the project have an impact on other businesses?
 - 8. Are other incentive programs being used?
 - 9. Other information pertinent to the project.