


CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-48	HISTORY	
		FILE #	DATE
	DATE: November 21, 2006	76303	06/19/07
	FILE NUMBER: 75681		
	DEPARTMENT: ECONOMIC DEV.		

SUBJECT: EXTENSION OF TIME PERIOD FOR EXISTING RENAISSANCE ZONE PARCELS

PURPOSE: To provide guidelines for evaluating and approving requests for extension of Renaissance Zone parcels for economic development.

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. From 2000 to 2006, twenty-six more properties were added to existing Zones including four new areas which were designated and five tool and die companies. The goal of the program has been to encourage investment and create jobs by reutilizing vacant, contaminated, and underutilized properties in blighted neighborhoods and industrial zones. Through August 2006, \$251,088,167 in private investment has been made in the Zone, creating 2,145 jobs. In 1997, the City agreed to invest a net \$500,000 in forgiven property and income taxes annually.

In 2006, the State of Michigan approved legislation which allows communities to apply to the Michigan Economic Development Corporation to extend the time period for existing Renaissance Zone parcels when a major economic development opportunity is proposed.

GOALS: The City's goals in extending the time period for existing individual Renaissance Zone parcels are:

1. To create jobs;
2. To encourage investment; and
3. To clean up and reutilize vacant and underutilized properties.

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POLICY:

The City will establish a program which allows individuals, businesses, developers and business areas to submit proposals for extending the timeline for properties in the City's Renaissance Zone for significant new economic development projects. Applications will be accepted to extend the time period for individual parcels for specific economic development projects located within the existing Zones and will be evaluated on the basis of the criteria identified in this policy.

REVIEW PROCESS

Proposal Content: All proposals must demonstrate that the project cannot reasonably be facilitated in the existing Renaissance Zone time frame. They must identify the parcels being proposed for extension of the Zone, the amount of real and personal property tax currently assessed to the site(s), and verify that the property meets at least three of the threshold criteria. Also, proposals should describe the type of use, amount of investment, jobs to be created, and other pertinent information about the project. A pro forma showing the difference in return on investment with and without Renaissance Zone savings must be submitted with the proposal.

The applicant will supply a statement of Renaissance Zone outcomes achieved since inclusion of the property in the zone, which include the number of years that the property 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 current employment at the site. The applicant will provide an estimate of the tax savings, to date, from the Renaissance Zone designation.

Applicants must pay a \$5,000 application fee and agree to pay all legal fees associated with the preparation of a Development Agreement.

Review: A proposal must meet a minimum of three of the threshold requirements and will be reviewed by the City's Economic Development Project Team based on the extent to which the project addresses the evaluating factors cited in this policy. A review of the capacity, if any, below the modified (see next paragraph) \$500,000 cap of property and income tax revenue the City may forego to support the Renaissance Zone program will be made as each application is reviewed.

INVESTMENT CAP LIMITATION

- The original City Renaissance Zone established an investment cap in 1997 at \$500,000, focusing solely on lost City tax revenue.

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- 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
(\$316,875)	Capacity Factor: (Total Abated Taxes – Job Value) = Capacity Factor \$960,375 - \$643,500
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\$183,125	Available Cap Capacity as of August 2006

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
Available Cap	=	The estimated amount of actual property and Income tax abated less new income taxes
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 to be generated by the proposal. 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.

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THRESHOLD CRITERIA

Must meet a and b of the following criteria plus two others to be considered for a Renaissance Zone Extension.

- a. Project will be a catalyst for a major development or for multiple redevelopment opportunities in the City.
- b. Project will create significant new City income tax within three years of project completion.
- c. Property has been vacant or fifty percent of building(s) unoccupied, for at least one year.
- d. Project investment will be significant on a square foot basis.
- e. Property is a contaminated site or functionally obsolete, as defined by current Michigan law.
- f. Project shows other evidence of under-utilization or disinvestment.

EVALUATION FACTORS

Proposals for extending existing Zone areas which meet the appropriate 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 will work to deconcentrate poverty, create mixed use redevelopment or develop downtown housing, but in no case shall the residential component of a mixed use project exceed 40% of the investment by valuation unless otherwise specifically waived by the City Commission.
- f. The amount of tax loss for the project 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.
- h. The project will enhance an area of the City and/or cause additional investment.
- i. The project is consistent with the City's Master Plan.
- j. Compliance with the following City ordinances and policies:
 1. All applicants must be current with all real and personal property taxes.

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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.
- k. History of investment. What is the history of ownership of and investment in the property since it was designated as a Renaissance Zone? What are the reasons that the property is still blighted and underutilized?

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.