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**A PROPOSAL FOR THE CONSIDERATION OF REAL AND PERSONAL PROPERTY
TAX ABATEMENT APPLICATIONS
UNDER
PA 198 - "THE INDUSTRIAL DEVELOPMENT "ACT
AND
PA 385 - "TECHNOLOGY PARK DEVELOPMENT ACT"**

The following Proposal is in response to a request from the Mt. Pleasant City Commission Property Committee and offers a proposal for the review and approval process for the granting of tax abatements. It should be advised that the following is to be used only as a guideline and should not be construed as policy. The extremely intense and competitive nature of the marketplace in the retention, expansion and attraction of business and industry requires an analysis on a "case by case" basis, giving the maximum credit allowable when the applicant is retaining employment, creating employment and/or making an investment in either real and/or personal property.

The following is a recap of abatement development and rationale in this State and may be helpful as a point of reference. In 1974, the State of Michigan, responding to aggressive industrial attraction efforts of other states within the Great Lakes region, established what has become known as "Industrial Tax Abatement". The intention of this legislation was to offer a financial inducement to companies encouraging them to make their new and expansion investments in Michigan. The State further gave local municipalities the authority to make their own decision regarding the granting of such abatements, the amount of abatement (not to exceed 50%) and the number of years for which the abatement would be granted (not to exceed 12 years). Since the original industrial abatement was authorized, two other forms of abatement have also been offered - commercial and technological. However, commercial abatement has since been discontinued.

The City of Mt. Pleasant has created 4 such "industrial development districts" - a requirement precedent to the application for abatement. These districts are Mt. Pleasant Industrial Park North, Mt. Pleasant Industrial Park South, Pickard Industrial Park and University Park. A "technology development district" has also been created for University Park.

Having surveyed a number of individual communities and after speaking with Gary Nelson of the Michigan Jobs Commission, the majority of Michigan communities grant 12-year/50% tax abatement - the maximum allowed by the legislation. On occasion a community will grant the abatement for a period of six (6) years if the investment is in new personal property only. In addition, the majority of Michigan communities do not utilize any particular criteria when making the evaluations. Most often reported is that the City Commissions/Councils are "pro-business" and therefore grant the full abatement.

However, it is our recommendation that the following be used as guiding principles when an application is submitted for approval under both Acts 198 and 385:

- Projects must demonstrate the retention or creation of employment (or the loss of employment from the City) and/or the investment in land improvements, buildings, structures and other real property, machinery, equipment, furniture and fixtures.
- Equal consideration will be given for both the retention and creation of employment.
- An abatement period of twelve (12) years will be granted when real property is either improved, redeveloped or constructed and an abatement period of six (6) years will be granted when personal property, only, is considered.
- Other considerations may also be given on a case-by-case basis.

It is also noted that with approval an AGREEMENT OF UNDERSTANDING shall be entered into by and between the City of Mt. Pleasant and the Applicant. (A sample copy is attached for reference.)

Thus, it is the recommendation that the approval of industrial and technological tax abatement be granted for either 12 years or 6 years, based on the above-mentioned criteria.

George Dunn
October 2, 1996