

APPROVED

BCE
Assessor ✓



RESOLUTION

NO. 321

A RESOLUTION AMENDING THE CITY TAX ABATEMENT/TAX INCREMENT GUIDELINES

BATTLE CREEK MICH. September 21, 2004

Resolved by the Commission of the City of Battle Creek:

There being a need to apply the provisions of Public Act 198 of 1974 in the most effective way to the specific needs and benefits of the City so as to promote economic development through a streamlined process; and

It being determined that the current tax abatement/tax increment guidelines may hamper efforts on the part of the City and Battle Creek Unlimited to attract and retain small businesses;

NOW THEREFORE, a portion of the tax abatement/tax increment guidelines which pertain to Act 198 of 1974, specifically guideline #3, is amended to read as follows:

The real and personal property improvements must represent an investment equal to at least 20% of the current true cash value of the property as determined by the Assessor. An investment in excess of \$100,000 will be exempt from this guideline.

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**CITY OF BATTLE CREEK
TAX ABATEMENT COMMITTEE
MEETING MINUTES
FRIDAY, AUGUST 20, 2004**

MEMBERS PRESENT:

Mark Behnke, Commissioner & Committee Chair
Steve Franklin, Commissioner
Susan Baldwin, Commissioner
Tony Walker, Vice Mayor

EX OFFICIO MEMBERS PRESENT:

Wayne Wiley, City Manager
Judy Mudge, City Assessor

OTHERS PRESENT:

Karl Dehn, Battle Creek Unlimited
Clyde Robinson, City Attorney

We convened at 3:00 pm in Room 302A, City Hall to finish discussing a possible revision of the city's abatement guidelines relative to the minimum dollar investment criteria for an Industrial Facilities Tax Exemption application.

Background: Commissioner Behnke asked the Assessor to review the background information submitted after the last meeting.

The discussion started on March 15, 2004 when the Committee met with Advanced Special Tools (AST) who asked the city to deviate from the guidelines. AST submitted an application that did not meet the minimum dollar investment required in the city's guidelines. At that time, the Abatement Committee recommended approval of AST's request and directed the Assessor and Karl Dehn to propose alternatives to this guideline.

The Assessor contacted other cities and compiled historical data from previous projects. Of the cities contacted, none of them has a minimum dollar investment. Also, historically, we have had four applicants that did not meet the minimum \$500,000 investment. Three of the four, however, were eligible because their investment exceeded 20% of their property's true cash value.

From the information submitted, the Assessor and Karl Dehn prepared four options for the committee to consider:

1. No change to the current guideline. Applicants that don't meet the minimum investment, like Advanced Special Tools, can appear before the Tax Abatement Committee and present their case for deviation from the guideline.

2. Lower the minimum investment from \$500,000 to \$250,000. While Advanced Special Tools' recent project was over \$250,000, a minimum investment could be seen as a disincentive to small companies.
3. No change to current investment of \$500,000, but change the alternative calculation from 20% of true cash value to 5% of true cash value. Advanced Special Tools' recent project was 7% of its true cash value.
4. Remove the minimum investment. This option puts us on an even playing field with other cities and shows encouragement to small and growing businesses, such as suppliers to larger manufacturers.

The Chair recognized Karl Dehn and asked for his comments. Karl said that, generally, restrictions create bureaucracy and companies have to understand and review policies. The policy itself isn't such a large issue as long as it isn't overly burdensome. Also, sometimes it is difficult to come back to the Abatement Committee for approval if projects need to move quickly. His first choice is (1) no minimum investment at all, or (2) modification of the existing policy.

Discussion: Commissioner Franklin asked about the recent Kelloggs' applications bypassing the Abatement Committee. Commissioner Behnke explained the need to move these applications through by a deadline so it went to City Commission as a whole instead of to the committee first. Mr. Wiley agreed and said we would do this for any company that had a critical need to meet a timetable. Kelloggs' applications deviated from the city's guidelines because they included furniture & fixtures.

Commissioner Baldwin asked Karl if he had any idea of how many companies might have a \$50,000 or a \$100,000 investment? Karl said that only a few would, but this is the type of investment that is typical for a new entrepreneurial, start-up business.

Commissioner Baldwin asked if a \$100,000 limit would be a reasonable number? Karl said that \$100,000 or \$250,000 probably wouldn't be an impact to economic development. He recommended some reduction of minimum investment, but still keeping the 20% calculation as an alternative. This would be more appealing to small businesses and less limiting.

Commissioner Franklin asked if new businesses wouldn't decide to go to a community without minimum investment? Karl said that he thinks this is unlikely because the business would have enough information about Battle Creek to make its decision to locate here before they know about the Industrial Facilities Tax abatement guidelines.

Vice Mayor Walker stated that if we do enough other things to compete with other local communities, this policy wouldn't be a deal breaker. Karl said that it would vary from project to project if this would be a deal breaker. Vice Mayor Walker said that other investments such as in the school system and affordable housing would have greater impact on decisions businesses make to locate in Battle Creek. Karl said that Battle Creek has a good reputation for supporting Public Act 198 Tax Abatement programs.

Some communities aren't as cooperative with expansions of existing companies. Vice Mayor Walker said that training program in Fort Custer is another factor we have that other communities don't. Karl said that Battle Creek Unlimited's loan fund is another benefit.

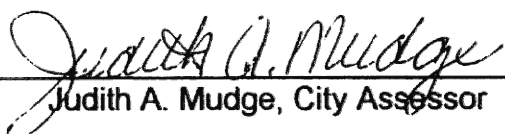
Commissioner Baldwin recommended reducing the minimum investment to \$100,000 or \$250,000 but still leaving the 20% alternative. Commissioner Franklin agreed, but said he is in favor of \$100,000. Commissioner Baldwin said she could agree with a limit at \$100,000. Vice Mayor Walker said that he leans toward leaving the policy alone because of the limited number of applicants we've seen over the time we've had these guidelines. He's not sure it would spur any more development activity. Commissioner Behnke said he supports changes to make it easier for applicants. He supports eliminating or changing the policy. He said he agreed with Commissioner Baldwin's recommendation, but also sees Vice Mayor Walker's point. Commissioner Behnke agreed with a limit of \$100,000, leaving the 20% alternative.

Motion: Commissioner Baldwin made a motion to lower the minimum investment to \$100,000 leaving the 20% alternative calculation. Commissioner Franklin supported the motion. Commissioner Behnke noted for the record that he has a relative that is married into the Franklin Company. He asked if there were any further discussion. Seeing none, he called for a vote on the motion. **Vote on the Motion:** All yes. Motion carried.

The Assessor said she will submit a resolution for the City Commission to approve this revision to the city's abatement guidelines.

Commissioner Behnke asked if there were any further business, comments from the public or comments from the members. Seeing none, he adjourned the meeting at 3:34 pm.

Dated: August 23, 2004



Judith A. Mudge, City Assessor

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