

**City of Novi**  
**Tax Abatement Policy**  
**Commercial Rehabilitation Act PA 210**  
**Hotel/Convention Center Only**

**Real Property Tax Abatement Statement of Purpose**

The Commercial Rehabilitation Act, PA 210 of 2005, was amended in 2011 to provide that the construction of a hotel with meeting/convention space attached to an existing convention and trade center of a certain size and location can qualify for a tax abatement of 100% of the value of the hotel improvements (but not the land on which it is located) for a period of up to 10 years. There is a convention center in the City that meets the description in the amended act. This policy describes the City's objectives in considering an abatement for the construction of a hotel attached to a convention center; the criteria under which the City would review an application for an abatement; and the limitations on any abatement. This policy also sets forth the requirement that any abatement be accompanied by an agreement between the applicant and the City designed to ensure that the City's goals are being furthered by the abatement.

It is further the intention of this policy to state the City's general expectation that, while an abatement (if granted) can be expected to enhance the convention center by increasing its business opportunities (e.g., increasing the kind or number of shows, customers, or prospects), the net benefit to the City and its residents and existing business would have to greatly outweigh the costs to those same affected individuals and entities in order for it to be considered by the City. In other words, while the temporary tax relief for a given property will obviously result in the loss of revenue to the City for a specified period of time, the expectation in granting any such abatement is that at the end of the period the City will have an increased tax base resulting from investment in a development that would not otherwise have occurred without the tax incentive, and that the short-term costs to the City and its businesses and residents will clearly be exceeded by identifiable and quantifiable short-term and long-term benefits resulting from the new development.

**Objectives to be Achieved by Granting a Hotel/Convention Center Tax Abatement**

Applications for tax abatements in connection with the construction of a hotel attached to a convention or trade center will be evaluated in terms of the likelihood that they will achieve some or all of the following objectives of the City of Novi:

- A. To "phase in" long-term tax benefits to the City that result from the construction of a very high quality, highly reputable, and sustainable hotel that would not have been constructed absent the abatement.
- B. To assist in the economic viability of an existing convention and trade center in a manner that will provide significant economic benefits to the community and its businesses and residents, without creating a high demand for City Services and City-funded infrastructure improvements.
- C. To encourage and promote a significant capital investment that will serve as a catalyst for other substantial investments within the community, while not undermining the economic/financial viability of any existing City businesses.

- D. To create or retain a significant number of employment opportunities that offer competitive wages within the industry.
- E. To judiciously and prudently use all tools available to improve the quality of life in the City of Novi, in a manner that assures that the long-term benefits of such action outweigh the short-term costs and foregone revenue.

### **General or Minimum Requirements for Eligibility**

Every applicant must satisfy the following

- A. The applicant must provide information establishing that, in relation to the other similar uses throughout the City, the project will be of exceptionally high-quality construction and service reputation, and value to the local community, given the cost to the City of foregone revenue.
- B. The project must be fully compatible with the City's zoning ordinance and master plan for land use and other ordinance requirements.
- C. The applicant must clearly and convincingly demonstrate that it would not construct or conduct the improvements in the City if tax abatement was not available. To satisfy this standard, the applicant must provide a written explanation of the need for the abatement, including a financial *pro forma* if requested.
- D. The applicant must clearly and convincingly demonstrate that the hotel will promote the convention center and that it will fill a need that will assist in the attraction of events and attendance to the center in order to ensure the center itself remains a viable operation as relates to other competitive uses. To satisfy this standard, the applicant must provide information regarding what types of additional or new users are expected to come to the facility following construction of the hotel, and evidence that they will come only if there is a hotel attached to the facility.
- E. The applicant must submit information to the City that:
  - i. identifies any existing hotels or other businesses within the same service area and with which the proposed hotel is expected to compete for business;
  - ii. describes the anticipated adverse effect (if any) on such existing hotels or other businesses; and
  - iii. explains why the grant of an abatement does not constitute the grant of a competitive advantage to the applicant
  - iv. quantifies, to the extent feasible, the net economic benefits of the project to the City and its businesses and residents
- F. The applicant—and the proposed end user/operator of the hotel—must be a viable, profitable, and highly reputable ongoing business concern.
- G. The applicant and proposed end user/operator must commit, in writing, to stay as a viable business concern for the entire term of the tax abatement and into the future.

### **Review Criteria Specific to Project**

The following criteria will be used to evaluate specific requests for a tax abatement in terms of the **net benefit to the City and its residents and businesses**, and to determine the number of years of the abatement. The City Council reserves the right to modify the tax abatement criteria to reflect the changing objectives, priorities, or conditions of the community. The applicant shall provide **sufficient information** to the City to allow it to conduct a full and complete review of the stated criteria.

- A. The value or cost of the hotel improvement (i.e., the capital investment)

- B. The quality of the proposed construction
- C. The expected economic life of the improvement
- D. The aesthetic value of the improvements – façade, materials, workmanship, etc.
- E. The total expected local abatement amount
- F. The amount of real and personal property taxes already paid by the existing development (the convention center)
- G. The total amount of real and personal property value that is expected to be added to the convention center (if any) during the abatement period
- H. The total amount of real and personal property value that is expected to be added to the entire development (convention center and hotel) at the *end* of the abatement period
- I. Any additional costs to the City, direct or indirect (e.g., additional required infrastructure, public safety impacts, traffic concerns, and the like)
- J. Direct or indirect public benefits to be provided by project (land donations, contamination clean-up, utility extensions, road improvements, recreational opportunities, other local “goodwill” to be offered by the end user)
- K. The number and kind of jobs to be retained by the existing development (the convention center) as a result of the improvement
- L. The number and kind of jobs to be created by the hotel improvement:
  - i. Permanent full time jobs
  - ii. Temporary jobs
  - iii. Part-time jobs
- M. The total projected annual payroll of the newly-created jobs
- N. The skill level of the newly-created jobs
- O. The extent to which the jobs are (i) minimum wage; (ii) above minimum wage; (iii) considered to be “high wage” within the industry; and (iv) provide health care and other benefits
- P. The extent to which the jobs are anticipated or projected to be filled by Novi residents
- Q. The extent to which the applicant commits to the use of local (City of Novi) vendors, suppliers, and contractors, expressed in a set amount or percentage of total construction costs and ongoing supply/service expenses.
- R. The extent to which the applicant would be in direct competition with other similar existing hotels or other businesses in the City of Novi
- S. The extent to which the hotel improvement would adversely affect such other existing hotels or businesses
- T. The extent to which the project will enhance opportunities for other existing or planned businesses in the City of Novi as part of the overall net economic benefits of the project to the City and its businesses and residents
- U. The extent to which the other public economic assistance is being provided to the applicant or the hotel by the City or other governmental agencies
- V. The extent to which other governmental agencies support the project.
- W. The environmental impact of the project and improvements—on woodlands, wetlands, storm water, air quality, etc.
- X. Any other factor deemed relevant by the City relating to the property, the project, the applicant, or any end user or hotel operator

### **Limitations**

- A. The maximum time period for an abatement is six (6) years.
- B. Motels do not qualify for an abatement.

- C. A project must not have started more than 6 months before an application for abatement was received by the City, and must be located in a Commercial Rehabilitation District established before the commencement of the project.
- D. There must be no outstanding taxes, fines, or liens owed by the applicant or entity with regard to the property at issue.

### **Agreement Required**

The City will require a written agreement with the applicant that will include, as a minimum:

- (1) The term of the abatement;
- (2) Any conditions required by the City Council in connection with the grant of the abatement, as to which the City reserves all rights to determine in the interests of the City;
- (3) Any reporting requirements established by the City with respect to the information stated above and/or provided by the applicant, whether required and described under PA 210 itself or established by the City as appropriate to the project and the agreement;
- (4) Events of default that will automatically terminate the agreement, including (by way of example only):
  - (a) Closure/abandonment/sale of building
  - (b) Change of use
  - (c) Failure to use local vendors.
  - (d) Failure to create new jobs as represented to the City.
  - (e) Failure to complete construction in a timely manner.
  - (f) Failure to meet any reporting requirements.
  - (g) Delinquency of either the hotel or the convention and trade center with regard to property taxes and/or to timely and properly follow legal procedures for contest.
  - (h) Failure to comply with local ordinances.
  - (i) Assignment without approval of the City
- (5) Any “claw back” or restitution provisions determined by the City to be necessary as appropriate to a specific project, under which the City will be paid back the amount of the abatement in the event of certain kinds of defaults

### **Procedures**

The applicant must submit a submittal form prepared by the City and an application provided by the State of Michigan. The documents and the submission will be judged on its own individual merits, on a case-by-case basis, with respect to the achievement of the economic development goals of the City and satisfaction of the criteria outlined in this policy.

Applicants bear the burden of proof and must substantially satisfy conditions of the policy at initial application in order to be considered for abatement.

Review of applications shall be as required by statute. The City may approve, deny, or approve the proposal with conditions within the time specified by statute.

All procedures, rights, and obligations concerning such exemptions are subject to Act 210. The City reserves the sole discretion, to the fullest extent available under the law, to review each application and determine whether the project meets the City’s goals and the review criteria, and to determine whether the project would

be beneficial to the City, whether the applicant merits consideration, and whether any other conditions exist that affect the City determination to grant or deny an application.

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