



CITY of NOVI CITY COUNCIL

**Agenda Item 1
October 17, 2011**

SUBJECT: Approval of an application fee for future potential PA 198 tax abatement projects; Two-tiered fee: \$1,000 application fee and \$1,500 processing fee as recommended by the Ordinance Review Committee.

SUBMITTING DEPARTMENT: Economic Development / Neighborhood & Business Relations

CITY MANAGER APPROVAL:

BACKGROUND INFORMATION: 

The City of Novi needs to formally establish application fees for property tax abatement requests. The fee helps offset city administration time and resources utilized in the initial review process. Such a change also provides a modest cover for the City to establish genuine interest and viability to abatements. The City of Novi is permitted to charge an application fee in connection with the processing of a request to create an Industrial Facilities Tax Exemption (IFE) District and secure an IFE Certificate. The statute states below with regard to an application fee, at MCL 207.555(3):

The local governmental unit may charge the applicant an application fee to process an application for an industrial facilities exemption certificate. The application fee shall not exceed the actual cost incurred by the local governmental unit in processing the application or 2% of the total property taxes abated under this act for the term that the industrial facilities exemption certificate is in effect, whichever is less. A local governmental unit shall not charge an applicant any other fee under this act.

Recently, Tognum was awarded PA198 tax abatement and a fee of \$1,500 was negotiated and accepted/paid. On September 16, 2011, at the Ordinance Review Committee (ORC) meeting, there was some discussion regarding a standard application fee should be in place and part of the existing PA198 policy for potential future projects.

ORC recommended a two-tiered fee. The first fee would be incurred when the application is filed and the second fee would be incurred once the application has been completely processed but before the District is considered by the City Council.

RECOMMENDED ACTION: Approval of an application fee for future potential PA 198 tax abatement projects; Two-tiered fee: \$1,000 application fee and \$1,500 processing fee as recommended by the Ordinance Review Committee.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Gatt				
Council Member Fischer				
Council Member Margolis				

	1	2	Y	N
Council Member Mutch				
Council Member Staudt				
Council Member Wrobel				

ORDINANCE REVIEW COMMITTEE
September 16, 2011 Excerpt of Minutes

2. Public Act 198 – Plant Rehabilitation And Industrial Development Districts
 - a. Application Fee for Tognum and future potential projects

Mayor Landry asked if we had been charging a \$1500 flat fee. Mr. Topouzian said that was what we charged Tognum recently, but \$1500 was on the high end of the spectrum compared to other communities. He said the city would never recoup the actual costs, so a standard fee should be put in place.

Mr. Schultz said the actual cost incurred in processing the Tognum application would have been over \$8,000, which was way out of range compared to other communities. In addition, there were fees incurred during Tognum that will not occur again.

Member Mutch suggested having a two-tiered fee. The first fee would be incurred when the application is filed and the second fee would be incurred once the application has been completely processed. Mr. Schultz said that would be acceptable.

Mayor Landry suggested the first fee could be \$1,000 and the second fee could be \$1,500. The first portion would be the application fee to create the district and the second would be to handle the Industrial Facilities Exemption Certificate. If the district is not granted, they would not incur the second fee of \$1,500.

Moved by Margolis, Seconded by Mutch: Carried Unanimously

To recommend a two-tiered fee for PA198 applications: \$1,000 application fee and \$1,500 processing fee.