



CITY of NOVI CITY COUNCIL

Agenda Item K
September 26, 2016

SUBJECT: Approval of Amended Resolution Establishing Stoneridge Industrial Development District, Amended Resolution Granting Industrial Facilities Exemption Certificate, and Amended Tax Abatement Agreement for Stoneridge, Inc., previously approved by City Council on May 23, 2016.

SUBMITTING DEPARTMENT:

CITY MANAGER APPROVAL: *R*

BACKGROUND INFORMATION:

The City Council approved the establishment of an Industrial District for Stoneridge, Inc., a company located on McKenzie Drive, north of Thirteen Mile, west of Haggerty Road, along with an Industrial Facilities Exemption Certificate, earlier this year on May 23rd, 2016. Stoneridge is building out an existing shell building for use as its Michigan headquarters. As part of an overall package involving assistance from the State of Michigan, the City granted a three-year abatement limited to 40% the first year, 30% the second year, and 20% in the third and final year.

Representatives of the State Tax Commission have indicated that they are uncomfortable with an abatement of less than 50%. Stoneridge has therefore revised its request down to a **two-year** abatement, at 50% each year. The City Assessor has made some preliminary calculations and has indicated that the overall effect of the shorter abatement for a larger amount is likely to be essentially the same.

As with the recent change to the documents for Daifuku, the Administration is also suggesting that the City Council use this opportunity to split the original single Resolution Establishing the District/Granting the Certificate into two separate Resolutions as preferred by the State. A revised form of abatement agreement also has been prepared using the model that the City Assessor has developed and will propose in the event of future abatement actions.

RECOMMENDED ACTION: Approve Resolution Establishing Stoneridge Industrial Development District, Amended Resolution Granting Industrial Facilities Exemption Certificate, and Amended Tax Abatement Agreement for Stoneridge, Inc., previously approved by City Council on May 23, 2016, with the form of agreement to be finalized by the City Attorney's office and the City Manager.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Burke				
Council Member Casey				

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

CITY OF NOVI
COUNTY OF OAKLAND
[AMENDED 9.26.16]
RESOLUTION ESTABLISHING AN INDUSTRIAL DEVELOPMENT DISTRICT
FOR STONERIDGE, INC.

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on _____, _____, at ____ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS, Act 198 of the Public Acts of 1974, as amended, authorizes the City Council of Novi to establish an Industrial Development District; and

WHEREAS Stoneridge, Inc. has petitioned this City Council to establish an Industrial Development District on the property herein described; and

WHEREAS, construction, acquisition, alteration, or installation of a proposed facility within the district has not commenced as of this date of the filing of the request to establish the district; and

WHEREAS, the City Council of the City of Novi, has given written notice by certified mail to the owners of real property within the proposed Industrial Development District and to the public by newspaper advertisement in the Oakland Press, and public posting of the hearing on the establishment of the proposed district; and

WHEREAS, a public hearing was held on 23rd day of May, 2016 at which all of the owners of real property within the proposed Industrial Development District and all residents and taxpayers of Novi were afforded an opportunity to be heard; and

WHEREAS, the City Council deems it to be in the best interest of the City of Novi to establish the Industrial Development District as proposed;

NOW, THEREFORE, BE IT RESOLVED that the following described parcels of land situated in the City of Novi, County of Oakland, State of Michigan, to wit:

Parcel identification: 50-22-01-400-029

T1N, R8E, SEC 1 PART OF E 1/2 OF SEC BEG AT PT DIST N 02-30-06 W 632.02 FT & S 85-30-21 W 60.04 FT & S 85-30-21 W 215.71 FT & N 02-02-32 W 467.58 FT & S 87-57-28 W 162.89 FT & S 13-30-29 W 174.90 FT & S 41-04-28 W 75.81 FT & S 87-29-56 W 312.43 FT & S 44-08-59 W 370.51 FT & N 36-07-04 W 336.51 FT & N 30-23-13 W 363.98 FT & N 02-57-07 W 1161.60 FT FROM SE SEC COR, TH N 02-57-07 W 176.05 FT, TH N 87-02-53 E 108.36 FT, TH N 28-03-30 E 222.93 FT, TH ALG CURVE TO RIGHT, RAD 420 FT, CHORD BEARS S 73-28-03 E 167.85 FT, DIST OF 168.98 FT, TH S 61-56-30 E 159.14 FT, TH ALG CURVE TO LEFT, RAD 480 FT, CHORD BEARS S 72-03-48 E 168.71 FT, DIST OF 169.59 FT, TH S 02-30-19 E 387.94 FT, TH S 87-29-41 W 268.09 FT, TH N 61-56-30 W 420.91 FT, TH S 87-02-53 W 43.61 FT TO BEG 6.20 A 7-26-13 FR 026 Split/Combined on 07/09/2013 from 50-22-01-400-026;

be and here is established as a Industrial Development District pursuant to the provisions of Act 198 of the Public Acts of 1974 to be known as the Stoneridge, Inc. Industrial Development District.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this ____ day of _____, 2016, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

CITY OF NOVI
COUNTY OF OAKLAND

[AMENDED 9.26.16]

**RESOLUTION APPROVING AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE
FOR STONERIDGE, INC.**

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on _____, _____, at ____ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS, pursuant to P.A. 198, 1974, M.C.L. 207.551 et seq., after a duly noticed public hearing held on the 23rd day of May, 2016, the City of Novi, established an Industrial Development District, commonly referred to as the Stoneridge, Inc. Industrial Development District; and

WHEREAS, Stoneridge, Inc. has filed an application for an Industrial Facility Exemption Certificate with the Clerk of the City of Novi with respect to proposed new real property within the Stoneridge, Inc. Industrial Development District; and

WHEREAS, before acting on said application, the City Council of Novi held a hearing on the 23rd day of May, 2016 at a regularly scheduled meeting, at which time the applicant, the assessor, and a representative of the affected taxing units were given written notice and were afforded an opportunity to be heard on said application; and

WHEREAS, construction of the facility has not begun earlier than six (6) months before 6th day of May, 2016, the date of the acceptance of the application for the Industrial Facility Exemption Certificate; and

WHEREAS, completion of the real property is calculated to and will at the time of issuance of the certificate have the reasonable likelihood to retain, create or prevent the loss of employment in Novi; and

WHEREAS, the aggregate SEV of real and personal property exempt from ad valorem taxes within the City of Novi after granting this certificate will not exceed 5% of an amount equal to the sum of the SEV of the unit, plus the SEV of personal and real property thus exempted.

NOW, THEREFORE, BE IT RESOLVED that:

1. The City Council of Novi finds and determines that the granting of this Industrial Facilities Exemption Certificate, together with the aggregate amount of the certificates previously granted and currently in force, under PA 198 of 1974, and PA 225 of 1978, shall not have the effect of substantially impeding the operation of the City of Novi, or of impairing the financial soundness of a taxing unit which levies ad valorem property taxes in the City of Novi.

2. The application from Stoneridge, Inc. for an Industrial Facilities Exemption Certificate with respect to a New Facility on the following described parcel of real property situated within the Stoneridge Industrial Development District; to wit:

The real property parcel the facility is located on is identified as tax parcel 50-22-01-400-029 having an address of 39675 MacKenzie Drive, City of Novi, MI 48326, including:

T1N, R8E, SEC 1 PART OF E 1/2 OF SEC BEG AT PT DIST N 02-30-06 W 632.02 FT & S 85-30-21 W 60.04 FT & S 85-30-21 W 215.71 FT & N 02-02-32 W 467.58 FT & S 87-57-28 W 162.89 FT & S 13-30-29 W 174.90 FT & S 41-04-28 W 75.81 FT & S 87-29-56 W 312.43 FT & S 44-08-59 W 370.51 FT & N 36-07-04 W 336.51 FT & N 30-23-13 W 363.98 FT & N 02-57-07 W 1161.60 FT FROM SE SEC COR, TH N 02-57-07 W 176.05 FT, TH N 87-02-53 E 108.36 FT, TH N 28-03-30 E 222.93 FT, TH ALG CURVE TO RIGHT, RAD 420 FT, CHORD BEARS S 73-28-03 E 167.85 FT, DIST OF 168.98 FT, TH S 61-56-30 E 159.14 FT, TH ALG CURVE TO LEFT, RAD 480 FT, CHORD BEARS S 72-03-48 E 168.71 FT, DIST OF 169.59 FT, TH S 02-30-19 E 387.94 FT, TH S 87-29-41 W 268.09 FT, TH N 61-56-30 W 420.91 FT, TH S 87-02-53 W 43.61 FT TO BEG 6.20 A 7-26-13 FR 026 Split/Combined on 07/09/2013 from 50-22-01-400-026;

is hereby approved for real property improvements.

3. The Industrial Facilities Exemption Certificate when issued shall be and remain in force and effect for a period of two (2) years, and the starting date for the certificate is December 31, 2016 and the ending date is December 30, 2018.

4. The total project investment approved is \$1,500,000

5. Stoneridge, Inc. agrees to operate the facility for which the Industrial Facilities Exemption Certificate is granted for the term of the certificate, plus an additional two years after the date of the certificate's expiration.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi, County of Oakland, and State of Michigan, at a regular meeting held this ____ day of _____, 2016, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

**TAX INCENTIVE AGREEMENT
CONCERNING
INDUSTRIAL FACILITIES TAX ABATEMENT**
(Revised September 26, 2016)

The City of Novi ("City"), located at 45175 Ten Mile Road, Novi, Michigan 48375, and the below mentioned Company (collectively, "the Parties"), agree as follows:

Recitals

Stoneridge, Inc., an Ohio corporation, located at 39675 MacKenzie Drive, Novi, MI 48337, hereinafter referred to as the "Company," has submitted an application to City Council for the granting of an Industrial Facility Exemption Certificate (IFEC), pursuant to Michigan Public Act 198, of 1974, as amended. The property the application pertains to is currently and commonly referred to by its assessment parcel number 50-22-01-400-029, and is located within an approved Industrial Development District ("Eligible District").

The City and the Company desire to enter into this Tax Incentive Agreement ("Agreement") as required by MCL 207.572, and for the purpose of setting forth the terms and conditions under which an IFEC may be approved by the City Council and may be approved and issued by the State Tax Commission for the facility proposed to be exempt from *ad valorem* real property taxation.

The Company submitted an application for issuance ("Application") of an IFEC for the facility, as provided for in PA 198, of 1974, as amended. The Application is incorporated as part of this Agreement by reference.

Therefore, in consideration of the forgoing, the Parties now enter into this Agreement.

Terms and Conditions

In recognition of the granting of the IFEC by City Council and the benefit of the tax savings for the Company, and the economic growth of the City, I hereby agree on behalf of the Company to the following:

1. The Company will furnish notification of the completion of the facility to the City Assessor and the State Tax Commission, within 30 days of the date of completion. If there is no construction progress for a facility under construction for more than 180 days, the Company will notify the City Assessor of its reasons for delay.
2. Within 90 days of the date of completion of the facility, the Company will report:
 - a. The final cost of the facility to the City Assessor and the State Tax Commission including, if applicable, and:

- i. a detailed listing of the new personal property acquired for the facility, including item description, type, identification, year of acquisition and all costs for its purchase and installation; and
- ii. a detailed listing of the constructed real property, including all direct and indirect costs associated with its completion; and
- iii. the number of jobs created by completion of the facility, not including jobs transferred from other locations.

If the actual project costs are more than 10% less than the estimated costs given in the application, or if the number of jobs created are less than the number estimated in the application, the Company will provide the city assessor with a written explanation.

3. No later than the 10th day of March of each year, beginning the year following the first tax year effective by the IFEC and throughout the term of this Agreement, the Company shall submit a report ("Annual Report") to the City Assessor and City Clerk stating the average number of jobs in the Eligible District for the preceding year, computed as the average number of actual jobs existing on a quarterly basis for the calendar year preceding the Annual Report. During the term of this Agreement, the City may upon reasonable advance notice, during reasonable times and subject to reasonable restrictions (including but not limited to confidentiality restrictions), review and audit the information presented by the Company to determine compliance with this Agreement.
4. As a condition of receiving the IFEC, or an extension of an existing certificate, pursuant to this policy, the Company agrees to operate the facility for which the IFEC is granted for the term of the IFEC, plus an additional two (2) years after the date of expiration of the IFEC.
5. The Company further understands that if it vacates or fails to operate the facility for which the IFEC is granted for the period of time as outlined above, that the company is liable for repayment of any property tax savings benefiting the Company due to the existence of the IFEC, beginning with the initial effective year of the IFEC. In addition, the Company will be liable for repayment of future tax savings if there are any remaining years in the term of the IFEC, under the provisions of Section 21(2) of Public Act 198, 1974 as amended. These provisions may be waived by the City Council at the request of the Company for justifiable cause.
6. The Company further agrees to pay its abated real and personal property taxes timely and without penalty. In addition, the Company agrees to inform the City Assessor and the City Treasurer of any plans to relocate the company from any location within the City, 30 days prior to the relocation. If any of the foregoing amounts are not paid within sixty (60) days from when the taxes are due to the City, the City may institute a civil action against the Company, and the City shall be entitled to recover the taxes due and any penalties and interests accrued. In addition, the Company shall be all court costs and attorneys' fees incurred by the City in connection with such civil action if the City prevails in collecting at least fifty (50%) percent of the funds sought to be recovered in the action.

7. The Company agrees to notify the City Assessor and City Treasurer of any change in the ownership of the Company's real and personal property assets or a majority share of the Company's stocks. For the purposes of this agreement, a new owner or lessee shall be defined as follows:
 - a. For those IFECs that pertain to real property improvements, the term "new owner or lessee" shall be defined as follows:
 - i. A new entity that acquires, owns and occupies or leases and occupies the facility after the existing certificate holder has physically moved from or vacated the facility.

OR

 - ii. An entity that acquires an ownership interest of more than 50% in the existing certificate holder entity that owns and occupies or leases and occupies that facility.
 - b. For those IFECs pertaining to personal property, the term "new owner or lessee" shall be defined as follows:
 - i. A new entity that acquires from the existing certificate holder entity the ownership of the facility or leasehold interest in the facility and which keep the facility at its current location.

OR

 - ii. An entity that acquires an ownership interest of more than 50% in the existing certificate holder entity that owns or leases the facility.
8. Whenever there is a new owner or lessee, as defined above, of any real or personal property for which an IFEC has been granted, the new owner or lessee shall make application for a transfer of the certificate to the new owner or lessee immediately, but no longer than six (6) months after a change in ownership occurs. The City Council may grant requests to transfer existing certificates, after review, provided requests are consistent with the City's adopted Tax Incentive Policy, or any amendments made to the policy, that is in effect at the time a request for a transfer is made. An updated tax incentive agreement shall accompany any request for a transfer of a certificate to a new owner or lessee.
9. The Company further agrees to abide by all other City ordinances, including its building and zoning codes, during the construction and operation of the facility.
10. The Agreement will be interpreted, construed, and enforced in all respects in accordance with the laws of the State of Michigan.
11. The Parties acknowledge that each of them has consulted with attorneys and counselors regarding this Agreement and that the City and the Company have equally participated in the drafting of this Agreement. The Company acknowledges that the terms, conditions, requirements, and obligations of the IFEC and this Agreement are lawful and are reasonable in consideration for the benefits the Company has determined that it will achieve by

issuance of the IFEC, and the Company agrees that it shall not be permitted to claim that the City is not authorized by law and/or equity to enforce any provision of this Agreement.

By the signatures of representatives of both the Company and the City below, it is understood that both the Company's investment in the project and the City's investment through the granting of the IFEC is to encourage the economic growth of all.

WITNESS:

SIGNATURE

PRINT NAME

COMPANY REPRESENTATIVE:

BY: _____

ITS: _____

DATED: _____

ACKNOWLEDGED BY THE CITY OF NOVI:

WITNESS:

SIGNATURE

PRINT NAME

BY: _____
ROBERT J. GATT

ITS: MAYOR

DATED: _____

WITNESS:

SIGNATURE

PRINT NAME

BY: _____
CORTNEY HANSON

ITS: CITY CLERK

DATED: _____