

Charter Township of Lyon P.A. 198 Industrial Facilities Tax Exemption Tax Abatement Guidelines

A company that is in the planning phase of a major business attraction or expansion project that will include a capital investment in real and/or personal property may be eligible for P.A. 198 Industrial Facilities Tax Exemption (IFT abatement). The IFT provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a period of 1 to 12 years.

Established by the State of Michigan, P.A. 198 tax exemptions allow companies to receive approximately a 50% reduction in their anticipated new real or personal property tax liability. A certificate holder will pay a specific tax known as the Industrial Facility Tax. Applications are filed, reviewed and approved locally with the local unit of government determining the number of years granted, but are also subject to review at the state level by the Property Services Division and the Michigan Economic Development Corporation. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

Property tax incentives are an important tool that can be utilized to promote economic activity, increase and retain employment and provide incentives for investment in real and personal property that increase the tax base of the Charter Township of Lyon. The purpose of this policy is to inform the business community, and provide procedures and criteria for the Board of Trustees, the Tax Incentive Review Committee and administrative staff in reviewing and determining the merits of applications for property tax abatements, exemptions, or incentives submitted to the township. *The procedures and criteria provided in the policy are established as guidelines, and the township Board of Trustees reserves the right to consider exceptions to these guidelines based on the merits and circumstances of each application and request, subject to the legal requirements established under the statutes of the State of Michigan.*

The Charter Township of Lyon Board of Trustees has adopted the following criteria to establish eligible applications for consideration of a real and/or personal property tax abatement.

Policy Eligibility Criteria

1. An Industrial Facilities Exemption Certificate (IFEC) tax abatement shall not be granted until there is compliance with MCL 207.559 of P.A. 198 of 1974; and
2. Any real and/or personal property tax abatement at a minimum must be revenue neutral to the Charter Township of Lyon.
3. Leasehold property shall not qualify for an IFEC tax abatement unless the application is responsible for payment of the property taxes, and can demonstrate timely payment of property taxes upon the Township's request; and
4. An IFEC tax abatement shall not be issued for a period or term exceeding 12 years; and

5. An IFEC tax abatement shall not be issued unless an Applicant meets the criteria listed below:

- Will create more than 10 jobs
- Has a real and/or personal property investment of at least \$750,000.00
- Owns the underlying real property or has a lease for the underlying property for a minimum term of 5 years

Eligible Facilities

Industrial plants eligible for tax abatement are those that primarily manufactures or process goods or materials by physical or chemical change. Related facilities of Michigan manufacturers such as offices, engineering, research and development, warehousing or parts distribution are also eligible for exemption. Research and development laboratories, high-tech facilities and large communications centers can also qualify.

Type of Use	Eligible Business	Type of Investment Min \$ Investment	Tax Incentive Available	Facility Type	District Required
Industrial – High Technology	New or Existing	New Building, Land Improvements \$500,000	PA 198 Up to 50%	New	Industrial Development District
Industrial – High Technology	New or Existing	New Personal Property \$250,000 or \$100,000 with new	PA 198 Up to 50%	New	Industrial Development District
Industrial – High Technology	New or Existing	Building Expansion, Land Improvements \$250,000 or 15% of floor area	PA 198 Up to 50%	New	Industrial Development District
Industrial – High Technology	New or Existing	Rehabilitated Obsolete Real Property 25% of existing building value	PA 198 Up to 50%	Replace or Rehabilitate	Industrial Development District

Tax Abatement Goals

- To attract economic development projects to the Charter Township of Lyon in order to provide a greater tax base, without creating a high demand for township services and township-funded infrastructure improvements
- To promote the rehabilitation of obsolete facilities and/or expanding of existing facilities that provides significant benefits to the community, without creating a high demand for township services.
- To encourage and promote significant capital investments that will service as a catalyst of other significant investments within the community
- To create or retain a significant number of employment opportunities within the community that offer competitive wages with the specific industry
- To focus on Oakland County's Economic Development growth sectors in an effort to attract and retain high-tech business in the following sectors:
 - Advanced Electronics & Controls
 - Alternative Energy & Power Generation
 - Biotechnology
 - Micro/Nanotechnology
 - Advanced Materials & Chemicals
 - Automotive Research & Development
 - Communications and Information Technology
 - Medical Devices & Instrumentation
 - Robotics & Automation
 - Homeland Security

Application Criteria

The following criteria will be used to evaluate requests for tax abatement and determination of the number of years of the abatement. The Charter Township of Lyon reserves the right to modify the tax abatement criteria to reflect changing objectives, priorities or conditions of the community. All of the following items would need to be initially addressed by the applicant before consideration can move forward:

- A project must not have started more than 6 month before an application for abatement was received by the Township, and be located in a plant rehabilitation district or industrial development district established prior to the commencement of the project.
- There must be no outstanding taxes owed by the applicant or entity on the project
- If the facility is leased, the number of years awarded will not exceed the length of the lease

- There is no pending or current litigation, including but not limited to property tax appeals, against the Township by the applicant or its agents.
- Tax incentives will only be offered for the current phase of a project
- The project must be fiscally benefit to the Lyon Township from a tax revenue standpoint and must have the potential to increase employment opportunities for citizens of the community
- The company must demonstrate it would not locate or expand in Lyon Township if tax abatement was not available
- The cost disparity between expanding or locating in Lyon Township and alternative locations outside community must be demonstrated by the applicant.
- The long term impact of the project on Lyon Townships economy in real and personal property
- The contributions the business has made to communities where it is currently located)i.e. are they good business neighbor and do they get involved in civic and community activities
- Diversification of the tax base that will have the effect of developing both real and personal property to Lyon Townships tax base
- The development will provide enhanced opportunities for the existing business community
- Evidence of corporate ongoing profitability, viability and vitality must be demonstrated, such as net profit, by percentage, and in real dollars for the last three corporate fiscal years
- Applicants are to provide a fiscal impact analysis that demonstrated the positive impact to the community and where the benefits outweigh the abated amount in taxes for the duration of the abatement
- Any approved tax abatements will undergo a yearly compliant review
- The applicant must be committed to the community for the entire term of the tax abatement and into the future. Evidence of this involvement would need to occur once abatement is awarded to applicant.
- The granting of the industrial facilities exemption certificate, considered together with the aggregate amount of industrial facilities exemption certificated previously granted and currently in force, shall not have the effect of substantially impeding the operations of the Charter Township of Lyon.

The Township will not approve an Application filed pursuant to P.A. 198 of 1974 for the extension, renewal or reissuance of an IFT Certificate previously approved by the Township Board.

Application Process

When a company has determined that it meets the minimum criteria for consideration of a tax abatement, then the company may begin the process of formally applying for the IFEC. The process is as follows:

1. A Letter of Intent submitted on Applicant's letterhead to the Township Clerk (purchased made after the Letter of Intent is submitted may then be eligible for Tax Abatement. No purchased made before the submittal are eligible).

2. Complete the Michigan Department of Treasury Form 1012 – Appendix A
Include with the form:
 - a. A detailed list of personal property to be purchased including anticipated dates of purchase and cost
 - b. Cost Sheet for anticipated improvement in real property
 - c. Lease Agreement showing building terms and applicant's tax liability (if applicable)
 - d. The application shall be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be a part of the facility, a time schedule for undertaking and completing the restoration, replacement, or construction of the facility
3. Submit application, attachments and check for fee application to the Township Clerk
4. Upon receipt of an application for an industrial facilities exemption certificate, the Township Clerk shall notify in writing by certified mail the assessor of the assessing unit in which the facility is located or to be located, and the legislative body of each taxing unit that levies ad valorem property taxes in the local governmental unit in which the facility is located or to be located and to the owners of all real property within the proposed plant rehabilitation district or industrial development district and shall hold a public hearing on the establishment of the plant rehabilitation district or industrial development district at which those owners and other residents or taxpayers of the local governmental unit shall have a right to appear and be heard. Before acting upon the application, The Charter Township of Lyon Board of Trustees shall afford the applicant, the assessor, and a representative of the affected taxing units, an opportunity for a hearing.
5. Board of Trustee Public Hearing is scheduled with notification provided to public.
6. Copies of the application and attachments shall be provided to the Economic Development Application Review Committee. The committee will set a date within 30 days of receiving the application and will meet to score the application utilizing the established Score Card – (sample of Score Card found under section title The committee will consist of members of the DDA Economic Restructuring Sub-Committee as well as an appointed Board of Trustee. After completing the review and determining a score for the applicant, the committee will make a recommendation to the Township Board of Trustee.
7. The Charter Township of Lyon Board of Trustees, not more than 60 days after receipt by its clerk of the application, shall by resolution either approve or disapprove the application for an industrial facilities exemption certificate in accordance with section 9 and the other provisions of P.A. 198 of 1974. The Board of Trustees, considering the recommendation of the Review Committee, will discuss and decide on the Resolution to establish an IDD and/or PRD and approval of the IFEC.
 - a. If disapproved by the Board of Trustees, the reasons shall be set forth in writing in the resolution.
 - b. If approved by the Board of Trustees, the clerk shall forward the application and Adopted Resolution to the State Tax Commission for final approval within 60 days of approval or before October 31 of that year, whichever is first or as otherwise provided in section 7 of P.A. 198 of 1974 in order to receive the industrial facilities exemption certificate effective for the following year. If disapproved by the State Tax Commission, the clerk shall return the application to the applicant. The applicant may appeal the disapproval to the commission within 10 days after the date of the disapproval.

- c. IF the Tax Commission approves the application by December 31st of the year the certificate is awarded – the project investment must be completed within two (2) years. (See Appendix C for full description on the State Tax Commission process of determination).
8. A written agreement must be entered into between the Charter Township of Lyon and the company the certificate is to be issued to, and filed with the department of treasury.
 - a. A requirement that the industrial facilities exemption certificate is revoked if the eligible business is determined to be in violation of the provisions of the written agreement.
 - b. A requirement that the eligible business may be required to repay all or part of the benefits received under this act if the eligible business is determined to be in violation of the provisions of the written agreement
9. Applications must be filed by September 1 to receive approval for the following tax year. (See Appendix B for the Industrial Facilities Exemption Application Checklist)

Tax Abatement Application Fee:

The Charter Township of Lyon will 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 P.A. 198 of 1974 for the term that the industrial facilities exemption certificate is in effect, whichever is less.

Applicant must submit an application fee in the amount of \$4000.00. This amount will be held in escrow. Costs associated with processing the application will be paid from this escrow account and any unused portion shall be returned to the applicant.

Establishing an Industrial Development District (IDD) or Plant Rehabilitation District (PRD)

1. The Charter Township of Lyon Board of Trustees, by resolution of its legislative body, may establish plant rehabilitation districts and industrial development districts that consist of (1) or more parcels or tracts of land or a portion of a parcel or tract of land.
2. The Charter Township of Lyon Board of Trustees may establish a plant rehabilitation district or an industrial development district on its own initiative or upon a written request filed by the owner or owners of 75% of the state equalized value of the industrial property located within a proposed plant rehabilitation district or industrial development district. This request shall be filed with the clerk of the local governmental unit.
3. A request for the establishment of a proposed plant rehabilitation district or industrial development district shall be filed only in connection with a proposed replacement facility or new facility, the construction, acquisition, alteration, or installation of or for which has not commenced at the time of the filing of the request. The legislative body of The Charter Township of Lyon Board of Trustees shall not establish a plant rehabilitation district or an industrial development district pursuant to subsection (2) if it finds that the request for the district was filed after the commencement of

construction, alteration, or installation of, or of an acquisition related to, the proposed replacement facility or new facility. This subsection shall not apply to a speculative building.

4. The Charter Township of Lyon Board of Trustees, in its resolution establishing a plant rehabilitation district, shall set forth a finding and determination that property comprising not less than 50% of the state equalized valuation of the industrial property within the district is obsolete.
5. A plant rehabilitation district or industrial development district established by a township shall be only within the unincorporated territory of the township and shall not be within a village.
6. Industrial property that is part of an industrial development district or a plant rehabilitation district may also be part of a tax increment district established under the tax increment finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830.
7. The Charter Township of Lyon Board of Trustees, by resolution of its legislative body, may terminate a plant rehabilitation district or an industrial development district, if there are no industrial facilities exemption certificates in effect in the plant rehabilitation district or the industrial development district on the date of the resolution to terminate.
8. Before acting on a proposed resolution terminating a plant rehabilitation district or an industrial development district, the local governmental unit shall give at least 14 days' written notice by certified mail to the owners of all real property within the plant rehabilitation district or industrial development district as determined by the tax records in the office of the assessor or the treasurer of the local tax collecting unit in which the property is located and shall hold a public hearing on the termination of the plant rehabilitation district or industrial development district at which those owners and other residents or taxpayers of the local governmental unit, or others, shall have a right to appear and be heard.

Review by Committee

The Township Clerk shall provide copies of the application to the *Tax Incentive Review Committee*. This committee shall consist of members from the Lyon Township Downtown Development Authority Economic Restructuring Sub-Committee, the Township Treasurer, and a designated representative of the Board of Trustees. The committee will schedule a meeting within 30 days of receipt after receiving copies of the application from the Township Clerk. The committee shall reference guidelines and criteria from this policy and will utilize the following Score Card to identify the length of an IFEC tax abatement, whereas the total score assigned, based on the points given for each economic development criteria, will be used to determine the term of the IFEC abatement.

LYON TOWNSHIP - TAX ABATEMENT SCORE CARD						
1. Investment ownership status:						
a.	Own land and building		50	Points		Points
b.	Lease building (Min 5 years)		20	Points		Points
2. Project Value (eligible cost based on policy):						
a.	< \$1M		1	Points		Points
b.	\$1M - \$3M		5	Points		Points
c.	\$4M - \$10M		10	Points		Points
d.	\$11M - \$20M		30	Points		Points
e.	\$20M +		50	Points		Points
3. Number of full-time/permanent jobs located/retained in the Township:						
a.	1-10 jobs		5	Points		Points
b.	10-25 jobs		10	Points		Points
c.	26-50 jobs		20	Points		Points
d.	51-99 jobs		30	Points		Points
e.	100+ jobs		40	Points		Points
4. Number of new full-time/permanent jobs to be created in the next 1-3 years:						
a.	1-10 jobs		5	Points		Points
b.	10-25 jobs		10	Points		Points
c.	26-50 jobs		20	Points		Points
d.	51-99 jobs		30	Points		Points
e.	100+ jobs		40	Points		Points
5. Quality of new jobs- Annual Salaries:						
a.	< \$50,000	Employees	1	Points/Employee		Points
b.	\$50k - \$100k	Employees	3	Points/Employee		Points
c.	\$100k +	Employees	5	Points/Employee		Points
6. Local negative impact on the community (traffic, roads, odor, esthetics, etc):						
a.	Major		-50	Points		Points
b.	Minor		-25	Points		Points
c.	None / Neutral		0	Points		Points
7. Utility Impact (Investment of Sanitary Sewer Capital Charges):						
a.	\$25k - \$49k		10	Points		Points
b.	\$50k - \$99k		20	Points		Points
c.	\$100k - \$199k		30	Points		Points
d.	\$200k +		50	Points		Points
10. Company Classified in one of the following Emerging Sectors in Oakland County:						
a.	Advanced Electronics & Controls		10	Points		Points
b.	Advanced Materials & Chemicals		10	Points		Points
c.	Aerospce		10	Points		Points
d.	Automotive		10	Points		Points
f.	Alternative Energy & Power Generation		10	Points		Points
g.	Communications & Information Technology		10	Points		Points
h.	Film & Digital Media		10	Points		Points
i.	Robotics & Automation		10	Points		Points
j.	Defense & Homeland Security		10	Points		Points
k.	Oakland County's Medical Main Street		10	Points		Points
TOTAL POINTS =						
SCORING SYSTEM						
	Total Points	Real Property Abatement %	Real Property Abatement Term			
	0 - 99	Not Eligible for Abatement - No district will be created				
	100 - 199	50%	2-4 Years			
	200 - 299	50%	4-6 Years			
	300 - 399	50%	6-8 Years			
	400 - 499	50%	8-10 Years			
	500 +	50%	10-12 Years			

Appendix A – Michigan Department of Treasury Form 1012

Online link to Michigan Department of Treasury Form found [here](#)

Appendix B – Industrial Facilities Exemption Application Checklist

Industrial Facilities Exemption Application Checklist

Application Name: _____

GENERAL INFORMATION NEEDED FOR ALL APPLICATIONS:

- Completed Department of Treasury application Form 1012
- SIC/NAICS Codes – Eligible business _____
- Certified copy of the resolution approving the District. IDD _____ PRD _____
- Certified copy of the resolution approving the application (must include the following statements:
 - ...SEV of real and personal property WILL/WILL NOT exceed 5% of...
 - ...shall not have the effect of substantially impeding...or impairing the financial soundness...
 - Term of the exemption approved by the local governmental unit
- Letter of Agreement signed by the local unit and the applicant per MCL 207.572
- Affidavit of Fees signed by the local unity and the applicant
- Proof of Real Property Construction Begin Date (Building Permit, Footings Inspection, Signed Affidavit from Contractor, etc.)
- List of Machinery and Equipment with installation dates

REHAB ONLY:

- If machinery and equipment is being rehabilitated, a list of machinery, equipment and furniture and fixtures, including cost and installation dates.
- Signed Obsolescence Statement from assessor

SPECULATIVE ONLY:

- Certified copy of the resolution to establish a speculative building.
- Statement of non-occupancy from the owner and the assessor
- Was the speculative building constructed before a specific user was identified? MCL. 207.553(8)(b) (Y/N)

TRANFERS ONLY:

- Certified copy of the resolution approving the transfer
- Notice was given to the holder, LGU, assessor and other local authorities for hearing.
- Name Change Only? If so, did we get proof of same ownership? (Y/N)

REVOCATIONS ONLY:

- Real Property Personal Property Both

Statutory Reason for Revocation: _____

- Certified copy of the resolution approving the revocation

AMENDMENTS ONLY:

- Extension: ____ to ____ Increase: ____ to ____ Both/Other

- Certified Copy of the resolution approving the amendment
- Is the amendment to increase personal or real property? (Y/N) If so, obtain the following:
 - Amended application
 - Updated Machinery and Equipment List.

COMMENTS:

Appendix C – Determination by Commission Process

207.557 Determination by commission; issuance of industrial facilities exemption certificate; notice of application; concurrence; effective date of certificate; mailing and filing of certificate; notice of refusal to issue certificate; resolutions approving or amending industrial facilities exemption certificate; completed application; error or mistake; failure to forward application, amended or transfer application, or request to revoke certificate; duties of commission.

Sec. 7.

(1) Within 60 days after receipt of an approved application or an appeal of a disapproved application that was submitted to the commission before October 31 of that year, the commission shall determine whether the facility is a speculative building or designed and acquired primarily for the purpose of restoration or replacement of obsolete industrial property or the construction of new industrial property, and whether the facility otherwise complies with section 9 and with the other provisions of this act. If the commission so finds, it shall issue an industrial facilities exemption certificate. Before issuing a certificate the commission shall notify the state treasurer of the application and shall obtain the written concurrence of the department of licensing and regulatory affairs that the application complies with the requirements in section 9. Except as otherwise provided in this section and section 7a, the effective date of the certificate for a replacement facility or new facility is the immediately succeeding December 31 following the date the certificate is issued. For a speculative building or a portion of a speculative building, except as otherwise provided in section 7a, the effective date of the certificate is the immediately succeeding December 31 following the date the speculative building, or the portion of a speculative building, is used as a manufacturing facility.

(2) The commission shall send an industrial facilities exemption certificate, when issued, by mail to the applicant, and a certified copy by mail to the assessor of the assessing unit in which the facility is located or to be located, and that copy shall be filed in his or her office. Notice of the commission's refusal to issue a certificate shall be sent by mail to the same persons.

(3) Notwithstanding any other provision of this act, if on December 29, 1986 a local governmental unit passed a resolution approving an exemption certificate for 10 years for real and personal property but the commission did not receive the application until 1992 and the application was not made complete until 1995, then the commission shall issue, for that property, an industrial facilities exemption certificate that begins December 30, 1987 and ends December 30, 1997.

(4) Notwithstanding any other provision of this act, if pursuant to section 16a a local governmental unit passed a resolution approving an industrial facilities exemption certificate for a new facility on October 14, 2003 for a certificate that expired in December 2002, the commission shall issue for that property an industrial facilities exemption certificate that begins on December 30, 2002 and ends December 30, 2009.

(5) Notwithstanding any other provision of this act, if on or before February 10, 2007 a local governmental unit passed a resolution approving an amendment of an industrial facilities exemption certificate for a replacement facility and that certificate was revoked by the

commission effective December 30, 2005 with the order of revocation issued by the commission on April 10, 2006, notwithstanding the revocation, the commission shall retroactively amend the certificate and give full effect to the amended certificate, which shall include the additional personal property expenditures described in the resolution amending the certificate, for the period of time beginning when the certificate was originally approved until the certificate was revoked.

(6) Notwithstanding any other provision of this act, if on July 23, 2012, a local governmental unit passed a resolution approving an industrial facilities exemption certificate for a new facility, but the application was not made complete until 2013, the commission shall issue for that property an industrial facilities exemption certificate that begins on December 31, 2012 and ends December 31, 2024.

(7) Notwithstanding any other provision of this act, if on February 21, 2012, a local governmental unit passed a resolution approving an industrial facilities exemption certificate for a new facility, but the application was not made complete until 2013, the commission shall issue for that property an industrial facilities exemption certificate that begins on December 31, 2012.

(8) If the commission receives an application under this act for an industrial facilities exemption certificate for a new facility or a replacement facility and the application is made complete before October 31 following the year in which the application is received by the commission, the commission may issue for that property an industrial facilities exemption certificate that has an effective date of December 31 of the year in which the application was received by the commission.

(9) If an error or mistake in an application for an industrial facilities exemption certificate is discovered after the local governmental unit has passed a resolution approving the application or after the commission has issued a certificate for the application, an applicant may submit an amended application in the same manner as an original application under this act that corrects the error or mistake. The Charter Township of Lyon Board of Trustees and the commission may approve or deny the amended application. If the commission previously issued a certificate for the original application and approves an amended application under this subsection, the commission shall issue an amended certificate for the amended application with the same effective date as the original certificate.

(10) If the clerk of the qualified local governmental unit failed to forward an application, an amended or transfer application, or a request to revoke a certificate that was approved by the legislative body of the qualified local governmental unit before October 31 of that year to the commission before October 31 but filed the application, the amended or transfer application, or the request to revoke a certificate before October 31 of the immediately succeeding year and the commission approves the application, the amended or transfer application, or the request to revoke a certificate, notwithstanding any other provision of this act, the certificate shall be considered to be issued, transferred, amended, or revoked on December 31 of the year in which the local governmental unit approved the application, the amended or transfer application, or the request to revoke the certificate.

(11) Beginning October 1, 2013, the commission shall do all of the following for each industrial facilities exemption certificate approved or disapproved by the commission under subsection (8), (9), or (10):

(a) Notify the office of the member of the house of representatives of this state and the office of the senator of this state, who represent the geographic area in which the property covered by the application for a certificate is located, that an application for a certificate has been approved or disapproved under subsection (8), (9), or (10).

(b) Publish on its website a copy of the certificate if approved, or a copy of the denial notice if disapproved, under subsection (8), (9), or (10) and whatever additional information the commission considers appropriate regarding the application.