



CITY OF NOVI CITY COUNCIL OCTOBER 28, 2024

SUBJECT: Consideration of a Resolution Approving a Request for a Two-Year Extension of the PA 210 Commercial Rehabilitation Exemption Certificate for the Sakura development at Grand River and Town Center Drive, extending it through 2031, and a corresponding Amendment to the existing Commercial Rehabilitation Agreement

SUBMITTING DEPARTMENT: City Manager

KEY HIGHLIGHTS:

- Sakura Novi Residential, LLC, and Sakura Novi, LLC, are requesting a two-year extension of their Commercial Rehabilitation Exemption Certificate, extending the expiration from 2029 to 2031, along with an amendment to the Agreement that accompanies/governs the abatement.
- The original eight-year abatement was approved for approximately \$2.5 million; this extension would increase the total abated value to around \$2.9 million.
- The applicants state that challenges from Covid-19 and with wetland mitigation, brownfield remediation, and other environmental factors, combined with the mixed-use nature of the development, have made this a longer-term project than typical developments.
- The applicants also indicate that the discovery of peat on the site has further complicated the project and added between \$700,000 to \$1 million in additional costs, which impacts the relief originally provided by the eight-year abatement.
- The City Council originally approved an eight-year abatement in 2021 after being asked for a full 10-year abatement.

BACKGROUND INFORMATION:

In July 2021, City Council approved the establishment of a Commercial Rehabilitation District (CRD) for Sakura Novi Land Development, LLC. In July of last year, the City Council was presented with a memo outlining several significant challenges that the Sakura developers (Sakura Novi Residential for the residential portion and Sakura Novi for the commercial portion) had encountered in preparing the land for development. Among the most impactful issues was the discovery of peat in the soil, which required filling in the pond and resulted in considerable delays and added costs for the project. According to the applicants, these factors, combined with the challenges from the Covid-19 pandemic as well as the mixed-use

nature of the development and the necessary wetland mitigation, brownfield cleanup, and other environmental remediation efforts, have extended the project timeline beyond a typical 9-12 month development. As a result, City Council is now being asked to consider a two-year extension of the original abatement.

Originally, the Sakura developer (the Sakura Land Development, LLC) sought a full 10-year abatement, but after extensive discussions with the City Council in 2021, a compromise was reached, and an eight-year abatement was granted. The Council's approval resolution indicated that no extension would be granted. The initial abatement provided approximately \$2.5 million in tax relief. The Sakura developers contend that the recent discovery of peat, which had some associated costs, as well as the cost of the development generally justifies the extension, which would bring the total requested relief to around \$2.9 million.

A public hearing for this action was held earlier on this agenda. The extension will cover the same four parcels included in the current abatement.

As a reminder, the Commercial Rehabilitation tax abatement freezes the taxable value (TV) of the parcels in the district for up to 10 years. Taxes on Novi School's operating millage and the State Education Tax will continue to be levied on new investments, while all other local millages (City, County, and a portion of Novi School's millages) remain frozen during the abatement period.

Attached, you will find:

- An updated spreadsheet showing the total PA 210 Incentive;
- The referenced July 2023 memo;
- The original application for a Commercial Rehabilitation Exemption;
- The amended application for a Commercial Rehabilitation Exemption approved by the State Tax Commission in December 2023;
- A draft Resolution Approving the Extension of Commercial Rehabilitation Exemption Certificate for the Sakura development; and
- The Agreement Concerning Act 210 Commercial Rehabilitation Abatement.
- A draft Agreement to Extend a previously approved Act 210 Abatement.

RECOMMENDED ACTION: Consideration of Resolution Approving Extension of Commercial Rehabilitation Exemption Certificate for the Sakura Mixed-Use Commercial and Multi-Family development at the northeast corner of Grand River Avenue and Towns Center Drive, and approval of a related Agreement to Extend a previously approved Act 210 Commercial Rehabilitation Abatement, subject to final review and approval of both by the City Manager and the City Attorney's office.