MEMORANDUM

CITY OF NOVI
cityofnovi.org

TO: MAYOR AND CITY COUNCIL
FROM: VICTOR CARDENAS, CITY MANAGER
SUBJECT: ABATEMENT INQUIRIES
DATE: FEBRUARY 4, 2025

The purpose of this correspondence is to summarize the incentives the City has in its economic development toolbox when working with significant developments looking to locate in the community and to introduce two new developments interested in located in the City.

There are two main tax abatement laws that the City has dealt with in the past. Public Act (PA) 198 – the Industrial Facilities Exemption (enacted 1974 and amended over time) allows for local municipalities to issue abatements for taxes for certain industrial uses. Up to 50% of property taxes (taxes on buildings, machinery, and equipment) can be reduced for the new construction or rehabilitation of facilities. Projects must be located within a designated Industrial Development District. Examples of IFE projects that the City has supported with this vehicle include:

- **Hanon Systems USA, LLC:**
  Hanon Systems USA received a 12-year abatement for improvements made to 39600 Lewis Drive, situated within the Granite REIT American Industrial Development District. The total investment for Hanon was $24,333,581. The applicant signed a 20-year lease, and this location serves as their regional headquarters. The applicant is a South Korea-based firm that planned to hire 393 new jobs in the city.

- **Production Tool Supply Company, LLC dba Berkshire eSupply:**
  Production Tool Supply Company received a 12-year abatement for the development of a 210,000-square-foot facility at the southeast corner of 14 Mile and M-5. The total investment for the applicant was $45,000,000. The company has since expanded and added an additional $15,000,000 investment to the property. The applicant also planned to add 240 full-time employees at the Novi site.

The second kind of incentive is through Public Act (PA) 210 of 2005.-the Commercial Rehabilitation Exemption. The abatement affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years for 100% of the new value of the improvement. The initial value of the property is frozen, For the period of the abatement so the improvements are not taxed. An example of a

project that was awarded this abatement was Sakura, which received a 8 year abatement.
The Hyatt Place hotel at Suburban Collection was another project that received a CRE abatement. At the time (2011), the estimated value of the construction was $7.5 to $10 million. The abatement was provided for 10 years.

Possible new ventures in the community:

Back in March 2019, Sears at Twelve Oaks mall closed permanently. It was one of the last of the Sears Stores to close as that location always performed well. Since the closure, the site has remained vacant, with a few different opportunities to redevelop it. I have been in conversations with representatives from Dick's Sporting Goods. They are looking to redevelop the first floor into a new concept called **Dick's House of Sport**. As described in this article in a Pittsburgh area paper: the new concept is an approximately 100,000-square-foot store that it provides not just athletic gear and apparel, but amenities such as athletic training facilities, rock climbing walls, batting cages, outdoor fields, and services for activities ranging from cycling to golf.

Their representatives have stated the investment for this new concept will be in the area of $20 million. We do believe they'll keep their current location in Fountain Walk open; however, I have not received confirmation on the number of new employees that will be added. They have inquired about the availability of a PA 210 CRE to assist with the redevelopment of this site.

I've also been in communication with developers and local economic development partners (County and State) regarding an automotive engineering firm looking to locate a new 180,000-square-foot building housing between 400 – 500 employees. The initial investment estimate is nearly $100 million. This specific project is a bit dicey as two developers have shared their interest with the company regarding properties on opposite sides of the city.

Incentive Policy

City Council has previously adopted a policy (attached) to help guide the Council when considering PA 198 IFE requests (but not for Act 210 CRE requests). Below, you'll find the matrix that is a part of the IFE policy to aid in the level of investment compared to employee additions.

CITY OF NOVI
PA 198 (TAX ABATEMENT) CHART

Number of new or retained full time jobs resulting from construction or long-term lease

Value of Investment	0-24	25-75	76-100	101-175	176-225	226-275	276-300	301-350	351+
$5,000,000 - $9,999,999	0	0	0	3	4	5	6	8	12
$10,000,000 - $19,999,999	0	0	3	4	5	6	8	12	
$20,000,000 - $29,999,999	2	3	4	5	6	8	12		
$30,000,000 - $39,999,999	3	4	5	6	8	12			
$40,000,000 - $49,999,999	4	5	6	8	12				
$50,000,000 +	12								

Once I have more concrete information on the two formal requests, I'll get back to you regarding direction and possible consideration at a future council meeting. Until then I ask that everyone be very discrete about these possible abatement inquiries until a formal request has been made.