



## Legislation Text

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**File #:** 10-1292, **Version:** 1

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Resolution to Approve Industrial Facilities Exemption Certificate between the City of Ann Arbor and Edwards Brothers Inc.

Attached for your review and approval is a resolution and proposed abatement agreement (Industrial Facilities Exemption Certificate) for Edwards Brothers Inc. The purpose of this abatement is to attract and retain corporate investment in the City of Ann Arbor.

Edwards Brothers Inc. is an Ann Arbor based company that is in the business of book printing and binding. The company is requesting an abatement of \$5,478,568.00 of new equipment and equipment upgrades and building improvements (see addendum to the attached proposed agreement). Only \$3,905,514.00 is new equipment that would qualify for an abatement from the City.

City Council did approve a prior abatement to Edwards Brothers on 11/5/2007. It should be noted that Edwards Brothers was not able to sustain the employments levels identified in the previous abatement in this economy. Edwards Brothers had 480 jobs at this location in 2007. The agreement stated they would retain 95% of the jobs during the abatement. The abatement request filed on October 11, 2010 shows 415 jobs at this facility or a 13.5% decrease in jobs.

In addition Edwards Brothers has brought suit against the City in the Michigan Tax Tribunal to reduce the assessment of their Real Property in 2010. If a reduction is obtained it would be contrary to section 4 of the 2007 agreement.

In working on this application, staff noted that the location and size of this site may be attractive for the University of Michigan. The site is a large parcel located adjacent to a U of M park & ride lot. If U of M acquired the site, it would be removed from the City's tax rolls. The City is interested in keeping the parcel on the tax rolls and in response to the City's interest Edward Brothers was willing to include a right of first refusal to purchase the real property during the length of the abatement. This provision was incorporated with the idea that if it appeared the site was going to be removed from the tax rolls, the City would have the right to acquire the property and subsequently dispose of it in a manner deemed to be in the best interest of the taxpayers.

The approval of this abatement is being presented to council for your consideration.

Prepared by: David Petrak, City Assessor

Reviewed by: Tom Crawford, Chief Financial Officer

Approved by: Roger W. Fraser, City Administrator

Whereas, Pursuant to P.A. 198 of 1974, as amended, after a duly noticed public hearing held August 6, 2007, the City of Ann Arbor City Council established Ann Arbor Industrial Development District No. 2007-010, as requested by Edwards Brothers, Inc;

Whereas, Pursuant to Section 5 of Act 198, Edwards Brothers Inc, has filed an application for Industrial Facilities Exemption Certificate with respect to new personal property to be acquired and installed within Ann Arbor Industrial Development District No. 2007-010;

Whereas, Before acting on said application, the City Council held a public hearing on January 3, 2011 at the City of Ann

Arbor City Hall, at 7:00 p.m., for which hearing the applicant, the City Assessor, a representative of each of the affected taxing units and the public were each given proper notice and were afforded an opportunity to be heard on said application;

Whereas, Construction of improvements of the facility and installation of new machinery and equipment had not begun earlier than six (6) months before October 22, 2010, the date of the acceptance by the City Clerk of the Application for the Industrial Facilities Exemption Certificate filed by Edwards Brothers Inc;

Whereas, Effective this date, the City Assessor has determined that state equalized value (SEV) of the property proposed to be exempt pursuant to the Application, considered together with the aggregate SEV of property exempt under certificates previously granted and currently in force, will not exceed 5% of an amount equal to the sum of the SEV of the City of Ann Arbor;

Whereas, Effective this date, the Chief Financial Officer of the City of Ann Arbor has determined that the granting of the requested Industrial Facilities Exemption Certificate to Edwards Brothers Inc will not have the effect of substantially impeding the operation of the City of Ann Arbor;

Whereas, Effective this date, no objections have been filed or raised during the public hearing by any of the affected taxing units which levy ad valorem property taxes in the City of Ann Arbor that the granting of such a certificate would impair the financial soundness of their respective taxing unit;

Whereas, The Chief Financial Officer of the City of Ann Arbor has advised City Council after review of the application that only \$3,905,514.00 is new equipment that would qualify for an abatement from the City;

Whereas, The Applicant has agreed to pay the City a nonrefundable application fee equal to the lesser of the City's actual costs to process the application, two percent (2%) of the total property taxes abated for the term that the industrial facilities exemption certificate is in effect or \$1000.00; and

Whereas, The Applicant acknowledges that issuance of the industrial facilities exemption certificate is determined by the Michigan State Tax Commission on receipt of an approved application by the City Council and has agreed to hold the City of Ann Arbor harmless in the event the Commission denies its Application for an Industrial Facilities Exemption Certificate, in whole or in part, and the City Council is relying on that commitment in acting on the Application;

RESOLVED, That the City Council finds and determines that the granting of this Industrial Facilities Exemption Certificate considered with the aggregate amount of Industrial Facilities Exemption Certificates previously granted and currently in force under Act 198, shall not have the effect of substantially impeding the operation of the City of Ann Arbor, or impairing the financial soundness of taxing units which levy ad valorem property taxes in the City of Ann Arbor;

RESOLVED, That the City Council finds and determines that the new personal property to be acquired and installed is calculated to, and will at the time of issuance of the Certificate have the reasonable likelihood to sustain the level of employment;

RESOLVED, That pursuant to Act 198, the City Council approve the Application of Edwards Brothers Inc for one (1) Industrial Facilities Exemption Certificate with respect to new personal property to be acquired and installed within Ann Arbor Industrial Development District No. 2007-010;

RESOLVED, That the Industrial Facilities Exemption Certificate when issued pursuant to Section 7 of Act 198 shall be and remain in force and effect for a period of twelve (12) years subject to the terms and conditions of the Abatement Agreement on file in the City Clerk's office;

RESOLVED, That City Council approve the Abatement Agreement on file in the City Clerk's Office, and incorporated in this Resolution as if fully set forth herein;

RESOLVED, That the Mayor and City Clerk are authorized and directed to execute the Abatement Agreement, substantially in the form on file in the City Clerk's Office and subject to the approval as to form by the City Attorney;

RESOLVED, That the City Administrator be authorized to determine the amount of the nonrefundable application fee

based on actual costs in processing the Application, in the amount not to exceed the City's actual costs to process the application, two percent (2%) of the total property taxes abated for the term that the industrial facilities exemption certificate is in effect or \$1000.00, whichever is less; and

RESOLVED, That the City Clerk be authorized and directed to forward the Application to the State Tax Commission for a finding pursuant to Act 198, and if determined compliant with the Act, issuance of a Industrial Facilities Exemption Certificate to Edwards Brothers Inc.