



MEMORANDUM

TO: Mayor and City Council

FROM: Marti Praschan, Chief Financial Officer
Derek Delacourt, Community Services Area Administrator

DATE: March 22, 2022

SUBJECT: **Sartorius Industrial Facilities Tax Exemption Certificate**

On March 8, 2022, after establishment of Industrial Development District 21-001 (the "IDD"), Sartorius BioAnalytical Instruments, Inc. ("Sartorius") submitted an application for an Industrial Facilities Tax Exemption Certificate ("Certificate") (Attachment A). If granted by the City and the State of Michigan, the Certificate would have the effect of reducing the applicable property taxes for real property at 3874 Research Park by 50% for the duration of the exemption period. This application and process is established by Public Act 198 of 1974, as amended and the November 6, 2006 Tax Abatement Policy Guidelines and Criteria adopted by the City (attached).

The Certificate requests an exemption period of 12 years, the maximum permissible duration on an estimated \$54,587,000 investment of building and land improvements. The Certificate requests similar exemption on personal property, however this is not taxed at the City level.

The following provides an overview of the requested exemption as evaluated by the 2006 Tax Abatement Policy Guidelines and Criteria (attached):

Section 3 – Objectives

- 3.1 *Increase the Tax Base*
- 3.2 *Promote diversification of the industrial base*
- 3.3 *Provide employment opportunities in the City of Ann Arbor*
- 3.4 *Promote community sustainable development*
- 3.5 *Projects that do not create a high demand for city services or have an adverse impact on infrastructure*
- 3.6 *Attract companies and facilities engage in advanced manufacturing, advanced information technology or other computer-related industries, life sciences or biotechnology, nanotechnology, alternative energy, and small technologies like advanced devices, materials and sensors, or any high-technology activity that qualifies under Public Act 144 of 2000.*
- 3.7 *Provide economic stimulus to other business activities in the City*

Section 4 – Eligible Property or Industries

The proposed use identified in the Certificate is eligible for consideration under the following sections of the Policy:

- 4.1 *Manufacturing*
- 4.3 *High-Technology (as defined by PA 144 of 2000)*
- 4.4 *Research and Development*
- 4.11 *Buildings, building improvements*

Section 5 – Ineligible Property or Industries

- 5.1 *Land is specifically excluded from the benefits of the Act and is fully taxable.*

In the provided investment summary (attached), land value is excluded from the request.

Section 6 – Criteria for Eligibility Consideration

6.1 Generally, the project meets sustainable community development principles such as equity (pay and living standards), ecology (reliance on renewable resources to conduct business), and economy (% profits or % revenues that are represented locally).

The proposed development will create permanent positions that meet City living wage requirements, are proposing several sustainability measures, and will impact the economy by retaining 132 positions in the region (relocating to the City of Ann Arbor) and expansion of workforce by a projected 161 positions.

6.2 The value of land and existing facilities. . .

The property, recently combined from five parcels to one, was purchased for \$5,200,000 in 2021.

6.3 The type and value of proposed improvements.

Attachment C summarizes the following values:

- \$54,587,624 Total Eligible Investment
 - \$53,270,132 – Building Construction
 - \$1,317,492 – Engineering, fees, permits
- \$8,942,577 – Personal Property (not locally taxed)

6.4 The expected economic life of the proposed improvements.

Building construction and related improvements are typically projected by the City to depreciate at a factor of 2 to 2.5% of taxable value annually. Presuming an initial

valuation of ½ of the cost of building construction (\$26,635,066), the proposed building would retain 37% of initial value over at the 50 year mark.

6.5 The number of existing, permanent jobs to be retained by the proposed improvements.

132 employees would be retained in the region, and move to the City of Ann Arbor.

6.6 The number of new permanent and full-time jobs to be created by the proposed improvements, paying at least living wages with the provision of health and other benefits.

161 new permanent positions are anticipated within the first three years, all paying benefits greater than the City's living wage rate.

6.7 The amount of local payroll to be created or enhanced.

Local payroll is anticipated to increase by approximately \$13.5 Million after the addition of 161 new jobs at the proposed rates.

6.8 The pay ratio and scale of new jobs created.

Depending on a variety of factors, the pay ratio of new jobs created are:

- 60 positions between 80 - 100% of Area Median Income (AMI)
- 65 positions between 100 - 120% of AMI
- 32 positions between 120 – 150% AMI
- 4 positions greater than 300% AMI

6.9 That the new jobs to be created will be filled in whole or in part by Ann Arbor residents or those projected to reside within the City, a commitment to hire minorities and economically disadvantaged individuals, and a commitment to contract work to local, minority and women-owned businesses.

Sartorius projects that many of the newly created positions will be filled by local hires, as some positions that may be consolidated here are from other Cities and countries, where individuals may not choose to move. Attached is a statement of diversity, which provides information on Sartorius's hiring outcomes relative to nationalities, tenure, gender, and other factors.

6.10 Applicant's commitment to demonstrating sound environmental and design practices when constructing, operating and maintaining the facility, including but not limited to, minimizing impervious surfaces, utilization of clean and renewable energies, implementation of water conservation and stormwater management practices, and flood protection measures (if appropriate), provision of incentives for mass and alternative transportation options, and the sponsorship of other innovative practices that serve to minimize the project's environmental impact and to protect water, land and energy resources for the economic and quality of life benefit of the community.

The following attributes of the development relate to these standards:

- The development is pursuing a 200 kwh solar energy system which will accommodate an estimated 3% of energy usage (the development approval requires a minimum of 125 kWh solar energy system installed). No battery back-up is being proposed.
- EV Parking Spaces are being proposed to meet the City's code requirements for a City Council reviewed site plan.
- The proposed development is predicted to have an Energy Use Intensity of approximately 250 kBTU/sf/yr, which exceeds the recommended limit of 57 kBTU/sf/yr. This would require purchase of off-site renewable energy on an ongoing basis to meet zero energy goals of the A2Zero carbon neutrality Plan.
- Sartorius pays for staff to utilize transit.
- The building is being designed to meet LEED Gold standard.

6.11 The costs to be incurred by the City to provide facilities or services directly resulting from the new improvements.

Costs incurred by the City will be typical to other similar uses and facilities in the City.

6.12 The amount of ad valorem taxes to be paid the City during the Abatement period – considering (a) the existing values, (b) the percentage of new value abated, (c) the Abatement period, and (d) the value of expiration after the Abatement period.

The tax impact is described in the proposed Brownfield Plan also under consideration.

6.13 The types and values of public improvements, if any, to be made by the applicant seeking Abatement.

The applicant will be:

- Constructing public sidewalks
- Upsizing a public water main for the length of the property.
- The project has resulted in State funds to support reconstruction of Research Park Drive.

6.14 The proposed improvements compete with existing businesses to the detriment of the local economy.

No such detrimental concern has been identified.

6.15 The potential community impact such as estimated fiscal and services burden on the local school district and county, or the projected demand on the city's housing market.

Sartorius estimates 100 new residents and 20 new children in the Ann Arbor Public School system.

6.16 The extent to which the proposed use of tax abatement is consistent with the City's goals, development priorities, Master Plan and zoning codes.

The proposed development is consistent with applicable City plans and Codes, and has received site plan approval.

6.17 The approval of an abatement makes the local firm eligible for a State incentive which requires a local contribution.

The applicant will be seeking support of similar abatement at the State level, which requires agreement by the City (attached).

Other Criteria established by the Mayor and Council:

Drafted by: Brett Lenart, Planning Manager