



Legislation Text

File #: 11-1221, **Version:** 2

Resolution to Approve Industrial Facilities Exemption Certificate between the City of Ann Arbor and Arbor Networks

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

Arbor Networks, Inc. is a company that is in the business of network security and operational performance products. The company is requesting an abatement of \$883,527 of real property improvements and \$7,790,454 of new personal property and equipment (see addendum to the attached proposed agreement).

Arbor Networks was granted a tax abatement in 2008 for \$4,961,800 of which \$1,350,000 was real property improvements and \$3,611,800 in personal property. Arbor Networks has added \$1,350,000 in real property improvements and \$3,118,728 in personal property. The abatement agreement in 2008 required them to add at least 90% of the \$4,961,800 which they have.

The abatement agreement in 2008 also required Arbor Networks to move 74 jobs to the facility and add not less than 8 jobs. Arbor Networks reported that as of December of 2010 there were 74 jobs at this location, but given the economy they were not able to add an additional 8 jobs.

City Administration recommends approval of this abatement request for the following reasons:

- The digital information business is continually changing with new and faster technology and Arbor Networks needs new test equipment and digital equipment, with anticipation of 20 new employees resulting to this facility.
- The attraction and retention of these operations is consistent with the City and SPARK's economic growth objectives.

Prepared by: David Petrak, City Assessor

Reviewed by: Tom Crawford, Financial and Administrative Services Administrator

Approved by: Steven D. Powers, City Administrator

Whereas, Pursuant to P.A. 198 of 1974, as amended, after a duly noticed public hearing held February 19, 2008, the City of Ann Arbor City Council established Ann Arbor Industrial Development District No. 2008-020, as requested by MAV Development;

Whereas, Pursuant to Section 5 of Act 198, Arbor Networks, Inc. has filed an application for Industrial Facilities Exemption Certificate with respect to real property improvements and new personal property to be acquired and installed within Ann Arbor Industrial Development District No. 2008-20;

Whereas, Before acting on said application, the City Council held a public hearing on October 17, 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 August 31, 2011, the date of the acceptance by the City Clerk of the Application for the Industrial Facilities Exemption Certificate filed by Arbor Networks, Inc.;

Whereas, At this time of granting the requested Industrial Facilities Exemption Certificate to Arbor Networks, Inc., 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, At this time of granting the requested Industrial Facilities Exemption Certificate to Arbor Networks Inc., the Chief Financial Officer of the City of Ann Arbor has determined that the granting of the requested Industrial Facilities Exemption Certificate to Arbor Networks, Inc. will not have the effect of substantially impeding the operation of the City of Ann Arbor;

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 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 completion of real property improvements and 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 create employment;

RESOLVED, That pursuant to Act 198, the City Council approve the Application of Arbor Networks for one (1) Industrial Facilities Exemption Certificate with respect to real property improvements and new personal property to be acquired and installed within Ann Arbor Industrial Development District No. 2008-020;

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 five (5) 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 is 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 Arbor Networks.