

**MINUTES OF THE COMMITTEE OF THE WHOLE WORK SESSION
OF FEBRUARY 10, 2015**

Mayor Pro Tem Pearson called the meeting to order at 6:02 p.m. The following Councilmembers were present: Councilmembers Nasim Ansari, Richard Ford, Patricia M. Randall, Claudette Reid and Terry Urban, and Mayor Pro Tem Jim Pearson. Mayor Peter Strazdas was absent with notice and excuse. Also present were City Manager Larry Shaffer, Deputy City Manager Rob Boulis, Director of Community Development Vicki Georgeau, and City Clerk James Hudson.

Mayor Pro Tem Pearson indicated that this is the second Committee of the Whole (COW) Work Session. He mentioned that at the last COW Meeting, Council looked at efforts that could be undertaken by the City to enhance economic development with a special focus on balancing economic development with the city's natural environment; discussed efforts that could be taken to promote the development of large undeveloped tracts of land within the city; and reviewed the possibility of working with Southwest Michigan First on pre-approved development sites. He also mentioned the topics for the meeting tonight are: Enhance economic development PA 198 Policy: Speed to market, Administrative review and Southwest Michigan First (SWMF) input on Policy and City Membership; Tax Increment Financing and Brownfield Development; and, Study of the City Retail Profile to guide City Council efforts.

Mayor Pro Tem Pearson opened the discussion and mentioned the proposed changes to the PA 198 Policy. City Manager Larry Shaffer distributed a summary of the five recommended revisions to the City of Portage PA 198 Policy contained in Director of Community Development Vicki Georgeau's communication to Mr. Shaffer dated January 9, 2015, for discussion:

	<i>City of Portage PA 198 Policy</i>	<i>Recommended Revision</i>
<i>Eligible Area</i>	<i>Building foundation</i>	<i>Building and site improvements</i>
<i>File Personal Property Statement?</i>	<i>Yes</i>	<i>No</i>
<i>Leased Property Term</i>	<i>Silent</i>	<i>At least as long as abatement</i>
<i>Project = more than 100,000 sq. ft.</i> <i>- or -</i> <i>\$10 million</i> <i>- or -</i> <i>100 new jobs</i>	<i>6 years for real property</i> <i>3 years for personal property</i>	<i>9 years for real property</i> <i>6 years for personal property</i>
<i>Project = more than 200,000 sq. ft.</i> <i>- or -</i> <i>\$20 million</i> <i>- or -</i> <i>200 new jobs</i>	<i>9 years for real property</i> <i>6 years for personal property</i>	<i>12 years for real property</i> <i>9 years for personal property</i>

Ms. Georgeau provided some background and history of the evolution of the City of Portage PA 198 Policy and stressed throughout her presentation and discussion that the proposed changes are an attempt to broaden flexibility in order to encourage development.

City Council discussed each of the proposed draft revisions individually, and Ms. Georgeau and Mr. Shaffer provided detailed explanations why each of the draft revisions to the PA 198 Industrial Tax Abatement Incentive Policy were desirable and should be considered for implementation; further, answered all of the concerns expressed by each Councilmember. Discussion followed.

Mr. Shaffer reminded City Council that this is a competitive process; that high quality projects are the most desirable; that the City Administration wants to be more competitive than in the past; and, that surrounding communities are using a 12-year tax abatement period. Discussion followed.

In answer to Councilmember Reid and her question regarding the phase-out of the personal property exemption, Ms. Georgeau explained that personal property purchased in 2015 has no tax consequences, so no abatement would be necessary; however, since the revised PA 198 legislation applies to manufacturers, a question still remains whether High Technology and Research and Development uses are exempt and, if not, whether a tax abatement could apply to those uses. She also explained that there is a period where personal property purchased prior to 2015 will be “phased out.” Discussion followed.

Councilmember Urban reminded everyone that this is one City Council decision that affects all of the other governing bodies in the community on the tax bill, and listed some of them. Discussion followed.

At the request of Mayor Pro Tem Pearson, Ms. Georgeau explained that the longer abatement periods are relative to the larger projects with large capital improvements, and that Southwest Michigan First indicated “Start-ups,” if defined as being in existence less than five (5) years, do not necessarily benefit from tax abatements because they often lease space and are not in the position to make big capital improvements. She indicated that the Administration does not have any specific suggestions at this time for “Start-ups,” that some research has been performed and that the Administration is in discussion with Southwest Michigan First for some ideas on this.

Mayor Pro Tem Pearson summed up by restating the idea of streamlining the public hearings by offering the option of shortening the time frame for approval and having the creation of the Industrial Development District and consideration of the Industrial Facilities Exemption Certificate Application at the same meeting. He also referenced to “speed to permitting” as discussed in the last paragraph of the February 4, 2015 Communication to Mr. Shaffer from Ms. Georgeau wherein staff proposed preparing an amendment to the Zoning Code that would broaden the scope of development in industrial areas which can be reviewed and approved administratively as opposed to formal review by the Planning Commission. Ms. Georgeau explained and discussion followed.

Councilmember Urban asked that as we proceed, we need to think about examples where the Planning Commission review was really important in terms of conflicting uses; and, he cited FEMA as an example as the proposed industrial use was next to a residential use. Discussion followed.

Councilmember Randall stressed the importance of having the process as uniform as possible to protect against favoritism and applied to all applicants using the same criteria. Discussion followed and Councilmember Urban recommended considering a Zoning Code change in order to codify the process of when an application must be put before the Planning Commission. Discussion followed.

Councilmember Reid asked about the 80% of the Kalamazoo County median family income for a one-person household reference in the February 4, 2015 Communication. She wanted to know if this was meant to apply to smaller entities, and Ms. Georgeau explained that this is an additional criteria that would provide an additional three year abatement as a further incentive for companies that provide high paying jobs. Councilmember Reid mentioned the situation where Stryker Corporation invested \$5 million and provided only two jobs, that were high paying, and would qualify under this criteria. She then queried whether Council should be looking at the amount of tax dollars that are being abated and the number of jobs being created. Ms. Georgeau promised to take another look at that as well as further analysis of her concern regarding the aforementioned median family income question. Discussion followed.

Mayor Pro Tem Pearson deferred the topic, "Study of the City Retail Profile to guide City Council efforts," to the March 10, 2015 COW Meeting.

When Mayor Pro Tem Pearson asked Ms. Georgeau to discuss the use of Tax Increment Financing (TIF), she indicated that TIF has been effectively utilized as part of the Brownfield Redevelopment efforts. She cited some examples and stressed that the Brownfield Redevelopment Policy is one area where the City can possibly help small businesses succeed. She explained some of the changes outlined in her communication to Mr. Shaffer dated February 4, 2015 entitled, "Tax Increment Financing and Brownfield Redevelopment Policy" and stressed the need for the revisions. She also suggested that the proposed revisions be submitted to the City Brownfield Redevelopment Authority for review. In response to Mayor Pro Tem Pearson, she explained the 15-year TIF time period parameters similar to the policy adopted by the City of Mt. Pleasant found at the top of the second page of the communication.

Discussion followed concerning the options and the need for an adequate incentive for the developer to clean up the (Brownfield) property in question. Ms. Georgeau identified the Brownfields in Portage using a map for Councilmember Ansari. In answer to Councilmember Reid, she expressed her opinion that there are probably no Brownfields in Portage that qualify for the State Grant option because the criteria is very narrowly written, so there are not a lot of opportunities for suburban communities. However, she did conjecture if Peterman Concrete should go out of business, the property became vacant, and there was contamination or the property became functionally obsolete, and we could show it was a key property for a significant development of a City Center, then maybe that kind of project could qualify for the State Grant option.

In summary, Mayor Pro Tem Pearson indicated that staff would be presenting recommendations for the PA 198 Industrial Tax Abatement Incentive Policy prior to TIF and Brownfield recommendations. He reiterated that the "Study of the City Retail Profile to guide City Council efforts," has been deferred to the March 10, 2015 COW Meeting.

STATEMENTS OF CITIZENS: Martha Dahlinger, 2612 Chopin Avenue, thanked City Council for doing all of this work and expressed her appreciation that they are considering wages being offered by companies being enticed to locate in Portage. She asked that they consider the percentage of temporary workers in the equation as well in order to build a community where people have an opportunity to have a living wage and have a job that they can depend on to care for their families.

ADJOURN: Mayor Pro Tem Pearson adjourned the meeting at 7:16 p.m.

James R. Hudson, City Clerk