

**NOTES FROM THE SPECIAL PRE-MEETING
OF THE PORTAGE CITY COUNCIL
OF JULY 25, 2016**

Mayor Strazdas called the meeting to order at 9:00 a.m. The following were present: Councilmembers Claudette Reid and Jim Pearson via the conference phone line and Mayor Pro Tem Nasim Ansari. Those not present were: Councilmembers Richard Ford, Patricia M. Randall and Terry Urban. Also in attendance were City Manager Larry Shaffer and City Clerk James Hudson.

Mayor Strazdas asked if there were any questions for the Administration regarding items on the Agenda. In answer to Councilmember Pearson and his question regarding the Committee of the Whole Meeting Agenda topic, City Manager Shaffer indicated that the information he requested regarding who received grants and how much for the last seven years is forthcoming.

With regards to Item F.1, Industrial Tax Abatement Application: Pfizer, Incorporated, Councilmember Reid asked for an early Impact Analysis (actual cost of the abatement, the number of jobs anticipated, etc.) because she wanted to know when and if that format would be utilized for analysis. Mr. Shaffer indicated that he would look at the previously used format, take the information, apply it to the format and have it for City Council by Tuesday. She specified that what she wants is what taxes are abated from the City of Portage, as well as the other jurisdictions, such as Portage Public Schools, Portage District Library, Kalamazoo Valley Community College, etc., and what the breakdown is for the whole period of the abatement. Mayor Strazdas summarized that City Council knows in the past that they were provided how many jobs will be guaranteed through this abatement process and how many dollars will be forgiven by each unit of government. Mr. Shaffer pointed out that there will be a difference between the previous analysis worksheet and the one that will be provided for this abatement since the State has eliminated the personal property tax and is phasing it out. Also, he said we know the general estimates: that the 98,000 square foot warehouse is going to be somewhere in the neighborhood of \$40 million with (approximately) \$38 million as real property and \$2 million as personal property. He indicated that the A.O.V. Work Center, the Autoclave Building, is a much more expensive project, but with more personal property; so, it is only going to be an estimate since we have not actually seen it to know what the split will be, but we do have the ranges, however. City Clerk James Hudson interjected that the impact analysis information is provided with Resolution No. 2 at the public hearing to approve or deny the establishment of the Industrial Development District (IDD). Nevertheless, Mr. Shaffer volunteered to provide a preliminary analysis in preparation of the Regular City Council Meeting on Tuesday since there is already a lot of data available on the project.

Since this is the first application since the State has eliminated the necessity of a Tax Abatement on Personal Property, Councilmember Reid asked how it will work, for example, with the \$44,083,000, since now we are being asked to abate for something that the State is not allowing anymore. Mr. Shaffer responded that some of the personal property may be taxable, but not much; the State has taken over the personal property tax obligation; the City receives a check from the State to compensate the City for what it has lost in personal property tax; so, in some ways asking for an abatement on personal

property taxes is unnecessarily redundant. Mayor Strazdas offered his understanding that the State has promised to make the City whole on personal property tax, so the State requires the data in order to afford the City its proper share of the funds. In answer to Councilmember Reid, Mr. Shaffer agreed that essentially the City Council is being asked to abate approximately \$61 million (tax on 50% of approximately \$61 million), not the whole \$105 million, so the City gets 25% of the true value of the real property investment.

Mayor Pro Tem Ansari expressed his anticipation that someone from the company would come in and speak to the advantages of the abatement and asked if the jobs that are promised are not provided, and Mayor Strazdas explained the claw back provision contained in the Tax Abatement Agreement. In response to Mayor Strazdas, Mr. Shaffer indicated that the Administration hopes never to be in a situation where there is a need to execute a claw back from Pfizer; that the City will review and monitor their expectations for jobs; and, if they are not living up to their representation, then a conversation regarding what compensation may be due. He again emphasized his reluctance to pursue anything like this with Pfizer.

Mayor Strazdas summed up by saying Mr. Shaffer will take a first cut analysis of the data; perhaps a representative from the Assessor's Office or Mr. Shaffer can explain the personal property question on how it works now. He asked Mr. Shaffer to call Pfizer to have a representative at the meeting to talk about the project, as well as the job commitment and what that means.

Councilmember Reid directed everyone to the Pfizer Industrial Development District Project Listing representing \$800 million in investment, likened it to a recent tax abatement request from Stryker Corporation where the investment was high compared to the number of jobs created, and asked whether the old way of looking at abatements based on job creation should be reassessed and not be based so heavily on job creation. Mr. Shaffer concurred as economically large corporations are looking to use capital to displace labor as a cost saving measure since, not to sound crass, their mission is to get a return on investment, not to create jobs. He reflected on the new model where companies displace labor with automation and investment when they can.

Mayor Strazdas offered the perspective that there will be a one-time need for local workers for construction for a year or two and outsourced labor, perhaps local, as service technicians and other contract service providers as necessary. Mayor Pro Tem Ansari stressed the importance of the citizens' point of view who will be sacrificing to make up for the revenue loss owing to the abatement.

ADJOURN: Mayor Strazdas adjourned the meeting at 9:15 a.m.

James Hudson, City Clerk