



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2008-0294 V6

TO: Mayor and City Council Members

FROM: Ed Anzek, Director Planning & Economic Development, ext. 2572

DATE: November 25, 2013

SUBJECT: Request for Industrial Facilities Tax Exemption Certificate by Rayconnect, Inc.

REQUEST:

Rayconnect, Inc. (Rayconnect) is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for new real and personal property for a period of twelve (12) years.

BACKGROUND:

City Council adopted a Tax Abatement Policy (the "Policy") in order to support new investment; building expansion or construction; reinvestment of companies in Rochester Hills or those considering relocating to the community. City Council's Policy states that tax abatements are an important retention and attraction tool.

In 2008, Rayconnect was looking for a facility to house its growing North American manufacturing operations. The company was considering many States based on real estate options, workforce and incentives being offered. City staff worked with the MEDC to prepare an incentive package that helped Rayconnect choose Rochester Hills as its ideal location. In June 2008, City Council approved a 12-year, real and personal property tax abatement for Rayconnect. The investment was to involve Rayconnect constructing a 64,000 square-foot facility on vacant land located on the corner of Devondale Road and Austin Drive. The company also shared its long-range plans to add additional manufacturing space to the facility as long as the market and costs of doing business in the area allowed for such expansion/investment. Rayconnect is currently in the fifth year of that 12-year tax abatement. This newly presented investment was not included in the first abatement and cannot be added to the existing tax abatement as the two-year window of time to make those investments has closed. Rayconnect pledged to invest \$14,534,600 in the Rochester Hills operation, retain 60 jobs and create 37 jobs. As reported in an update to City Council in September 2012, Rayconnect to-date has invested \$16,827,000 in the Rochester Hills facility and retained and created 97 jobs.

Currently Rayconnect is experiencing tremendous sales growth and is in need of expanding its North American production capabilities. As reported in the application, Rayconnect plans to add an additional 30,000 square feet of manufacturing space to their existing building at 2350 Austin Drive. The company all plans to purchase \$9,418,271 in additional machinery and equipment within the next two years. With this investment, the company anticipates retaining its operations in Rochester Hills, retaining the existing 97 jobs at the facility and creating 60 new jobs.

Rayconnect has applied for an IFT under the terms of the City Council's Tax Abatement Policy. An Industrial Development District (IDD) already existed at 2350 Austin Drive (parcel No. 15-29-452-036), therefore, the only item that City Council must consider today is the approval of an IFT. Staff

has evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and meets the criteria established by City Council.

Specifically, Rayconnect's project meets the following Policy goals:

1. The investment will increase the economic vitality of the industrial and high technology districts within the City of Rochester Hills.
2. The investment will create and retain permanent jobs at the Rayconnect facility.

Rayconnect's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. There are no outstanding taxing issues.
3. Permanent jobs will be created and retained as a result of this project.
4. There is a demonstrated need for financial assistance to encourage Rayconnect to expand its production capabilities in Rochester Hills.
5. The prospects for long-term growth are present, and
6. There is no current pending litigation against the City by the applicant or its agent.

Based on the information presented and using the Tax Exemption Chart (see City Council Tax Abatement Policy), the applicant is eligible for a **12-year abatement of real property and 8-year abatement for personal property**. Representatives of Rayconnect will make a presentation regarding its request prior to the Public Hearing. John Staran has reviewed the Development Agreement and found it to be in order. Staff will secure a signed agreement once City Council has approved the IFT.

Rayconnect has requested that City Council consider approving a term of 12 years for the personal property tax abatement. City staff completed two Tax Abatement Financial Analyses to determine the impact of the abatement per Rayconnect's request and per City Council Policy. It is attached for your review. In summary, it indicates that the investment will generate approximately \$511,346 combined in new real property taxes for all jurisdictions, with the abatement, over the period of the 12 years. The City portion of the new taxes is \$86,302. Applying Council's policy, the investment will generate approximately \$279,065 combined in new personal property taxes for all jurisdictions, with the abatement, over the period of the 8 years. The City portion of the new taxes is \$98,475. If the abatement is not approved, some or all of these taxes may not be realized. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET), by 50%.

RECOMMENDATION:

Approve the request by Rayconnect per the guidelines of Council's Policy for an Industrial Facilities Exemption Certificate for a period of 12 years for real property and 8 years for personal property based on the following reasons:

1. It increases the economic vitality of industrial and high technology districts within the City of Rochester Hills.
2. It retains and creates new employment and increases the tax base of the community.
3. The project is consistent with the goals and guidelines of the City Council's Tax Abatement Policy.

Thank you.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

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