



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2020-0148

TO: Mayor and City Council Members

FROM: Sara Roediger, Director, Planning & Economic Development, ext. 2573

DATE: May 18, 2020

SUBJECT: Request to approve an Industrial Facilities Tax Exemption Certificate for Auburn Pharmaceutical Company at 1744 Rochester Industrial Drive.

REQUEST:

Auburn Pharmaceutical Company is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real property for a period of twelve 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.

Auburn Pharmaceutical Company distributes generic drugs to independent pharmacies all over the U.S. The business plan calls for just-in-time, expedited deliveries of ordered supplies, which requires a state-of-the-art optimization center that can strategically meet the logistical expectations. The business has experienced growth the past few years and thus has outgrown its leased space in Troy. The company has a second office in Utah and in exploring where to locate its new main facility, it looked at the business advantages, costs and logistics of such a relocation. The company wants to own its next facility and thus it has decided to construct a new 65,000 square foot headquarters/optimization distribution center in Rochester Hills.

As reported in the application, Auburn Pharmaceutical Company plans to spend \$9,086,272 to construct this new facility, and create 100 new jobs in Rochester Hills. The company is considering a second phase to the campus, should the U.S. market continue to grow.

Auburn Pharmaceutical Company has applied for an IFT under the terms of the City Council's Tax Abatement Policy. An Industrial Development District (IDD) must be established for the consideration and 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, Auburn Pharmaceutical Company'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 project will enhance the general attractiveness of the community.

Auburn Pharmaceutical Company project also meets the following policy guidelines:

1. The project is compliant with the Rochester Hills Zoning Ordinance and Master Plan.
2. There are no outstanding taxing issues.
3. Permanent jobs will be created as a result of this project.
4. There is a demonstrated need for financial assistance to encourage Auburn Pharmaceutical Company to locate its administration and distributing capabilities in Rochester Hills, Michigan.
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.

City staff has completed a tax abatement financial analysis to determine the impact of the abatement per Auburn Pharmaceutical's request. It is attached for your review. ***In summary, it indicates that the investment will generate approximately \$755,292 combined in real property taxes for all jurisdictions, with the abatement, over the period of 12 years. The City portion of the taxes is \$147,180.*** If the abatement is not approved, some of these taxes may not be realized.

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**. Representatives of Auburn Pharmaceutical will make a presentation regarding its request prior to the Public Hearing. John Staran has reviewed the attached Development Agreement and found it to be in order. Staff will secure a signed agreement once City Council has approved the IFT.

RECOMMENDATION:

Approve the request by Auburn Pharmaceutical Company per the guidelines of Council's Tax Abatement Policy for an Industrial Facilities Exemption Certificate on real property for a period of 12 years.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A