



**City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS**

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**Legislative File No: 2008-0516 V2**

**TO:** Mayor and City Council Members

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

**DATE:** October 6, 2008

**SUBJECT:** Request for an Industrial Facilities Exemption Certificate by Hi-Tech Mold and Engineering, Inc. for Real and Personal Property

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**REQUEST:**

Hi Tech Mold and Engineering, Inc. is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real and personal property, to be located at 1685 Northfield Dr., 2775 Commerce Dr., 1758 Northfield Dr., 1744 Northfield Dr., and 2798 Product Dr. for a period of five (5) years.

**BACKGROUND:**

The City received a request to establish an IDD on September 29, 2008 from Hi-Tech Mold and Adco Investments, LLC for multiple parcels located in the TAN Industrial Park. Adco is the owner of 1685 Northfield Dr. Hi-Tech owns the buildings located at 2775 Commerce Dr., 1758 Northfield Dr., 1744 Northfield Dr. and 2798 Product Dr. The City also received an application for an industrial facilities exemption certificate from Hi-Tech Mold & Engineering for these properties.

In its application, Hi-Tech Mold & Engineering is seeking a five-year abatement. It proposes to invest \$450,000 in real property improvements and \$3,400,000 in personal property improvements. The company is pledging to create 15 new jobs and retain 165 positions in its existing Rochester Hills facilities.

Hi-Tech Mold & Engineering, Inc. moved to Rochester Hills in 1987. It has expanded within the TAN Industrial Park over the years and currently owns four buildings that total about 120,000 square feet. In 1998, it expanded and opened a 400,000-square-foot facility in Winchester, Tennessee. Today, Hi-Tech employs 165 people in Rochester Hills and 200 people in Tennessee.

Hi-Tech Mold is a leader in the design and build of injection and compression molds as well as fixtures. It is a Tier 1 supplier to the automotive and appliance industry. Hi-Tech specializes in high volume molds.

The project results from Hi-Tech Mold's diversification into aerospace and alternative energy industries. It has the opportunity to expand in its Winchester, Tennessee facilities or in Rochester Hills. The former Kelly Services building at 1685 Northfield Dr. became available earlier this summer when the tenant's lease expired. Hi-Tech Mold, which prefers to own its real estate, has leased the facility for three years with the option to purchase the building after the first year.

Hi-Tech Mold has requested that the City establish the IDD to cover its existing facilities and the newly leased facility. Its reasoning, it states, is that it requires the freedom to move equipment from one building to another as contracts come and go. An IDD that covers its entire operation offers it maximum flexibility to adjust as needed without losing the abatement that it hopes to gain.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. Based on the information presented and using the Tax Exemption Chart (Exhibit C) and Smart Investment Chart (Exhibit D), the applicant is eligible for a 7-year abatement of personal property. *It is not eligible for real property abatement due to its building investments totaling less than the minimum \$500,000 required by City Council's Tax Abatement Policy. Further, it is requesting five years due to the fact that it is only leasing the equipment over a five-year period.*

*Due to the fact that its investment in building improvements is just under the minimum required under the Policy and based on its request for fewer years than it is eligible, the Tax Abatement Analysis considers both real and personal property.*

In summary, the analysis indicates that the investment will generate \$59,598 in new real property taxes and \$130,396 in new personal property taxes for all taxing authorities combined **without the abatement** over five years. The City portion of new taxes combined is \$65,152. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET) and personal property subject to the 18-Mill School Operating Levy, including the Intermediate School District, by **50%**. Therefore, the IFT, **if approved**, will generate \$98,510 in combined new real and personal property taxes for all jurisdictions. The City portion of new taxes would be \$32,576 over the 5-year period.

Hi-Tech Mold's application is consistent with the goals and objectives in the City Council's Tax Abatement Policy and generally meets established criteria.

Specifically, Hi-Tech Mold's project meets the following Policy goals:

1. **It encourages development that will increase the economic vitality of the industrial and high technology districts** – The project generates new revenue for the City.
2. **To create and retain employment from existing eligible facilities that might, otherwise, leave the City** – The project retains 165 existing employees and creates 15 new jobs within two years of completion of the facility.
3. **To assist in the rehabilitation of older facilities and/or expansions of existing industrial or high technology facilities** – This project will result in the occupation of a vacant building and investment in new personal property, together totaling \$3,850,000, and will be located in the LDFA District and Rochester Hills SmartZone.

Hi-Tech Mold's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan
2. No outstanding taxes are owed by the applicant
3. Permanent jobs will be created or retained as a result of the project
4. The project has not started prior to the City's receipt of the application and it is located in a qualifying Industrial Development District – this assumes that Council agrees to create the District
5. There is a demonstrated need for financial assistance – Hi-Tech Mold also is considering moving its operations to Winchester, Tennessee, where it has a larger facility
6. The prospects for long-term growth are present – the newly leased facility allows Hi-Tech Mold the opportunity to further diversify its business
7. There is no current pending litigation against the City by the applicant or its agent

Representatives of Hi-Tech Mold and Engineering, Inc. will make a presentation regarding its request prior to the Public Hearing.

**RECOMMENDATION:**

Approve the tax abatement request of Hi-Tech Mold and Engineering, Inc. for personal property only for a period of five (5) years.

This recommendation is 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. Hi-Tech Mold's proposed real property investment does not meet the minimum requirement of \$500,000 to qualify for a real property abatement under City Council's Tax Abatement Policy

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**RESOLUTION**

**NEXT AGENDA ITEM**

**RETURN TO AGENDA**

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<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		