



City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS

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Legislative File No: 2011-0413 V2

**TO:** Mayor and City Council Members

**FROM:** Ed Anzek, Director of Planning and Economic Development, ext. 2572

**DATE:** October 6, 2011

**SUBJECT:** Request for Approval of an Industrial Facilities Exemption Certificate by Eagle Ottawa, LLC at 2930 W. Auburn for Personal Property Only

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**REQUEST:**

Eagle Ottawa, LLC is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property only, owned by Eagle Ottawa, LLC, located at 2930 W. Auburn Road for a period of eight (8) years.

**BACKGROUND:**

City Council adopted a Tax Abatement Policy (the "Policy") in order to consider new investment, building expansion or construction and 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.

Eagle Ottawa, LLC has applied for an IFT under the terms of the City Council's Policy. It is proposing to invest/acquire approximately \$4,760,000 in new equipment in 2011 and 2012. In addition, this investment will result in the creation of up to five engineering positions within two years. In its application, it is requesting an abatement of this personal property over an eight-year period. The eight-year abatement is supported in the policy for dollar investment and job creation.

Eagle Ottawa, LLC is among the oldest automotive leather suppliers in the world dating back to when they started the company in 1865. Headquartered in Auburn Hills, Michigan, the company is a global leader in interior leather solutions, servicing 30 customers and 100 current vehicle models from locations all over the world. For over 50 years, Eagle Ottawa has operated in Rochester Hills. The company held production operations at this owner-occupied, 140,000 square foot facility on W. Auburn Road, until 2006 when competitive reasons forced the company to reevaluate their business model and ultimately move production to Mexico and South America. Currently, the Rochester Hills facility acts as the company's North American Research & Development Center.

Today, the company is considering a substantial investment to re-initiate production at the Rochester Hills facility and create two to five additional engineering jobs based on incentives to offset the competitive gap with low cost producing countries. The planned investment will create a niche production line here in the U.S. The approval of this request will allow Rochester Hills, Michigan to be competitive in its efforts to attract Eagle Ottawa's production activities to the regional in contrast to other low-cost-producing countries where the company already has manufacturing operations including Mexico and South America.

It is important to note that this corporate decision to invest and locate the equipment in Rochester Hills is one of three sites under consideration. The other two are Mexico or South America.

City Staff completed a financial analysis to determine the impact of the abatement. The current tax abatement policy limits personal property abatements to eight years; and the analysis assumes an eight-year abatement. It is attached for your review. In summary, it indicates that the investment will generate \$149,901 in new taxes for all taxing authorities, combined, with the abatement over eight years. The City portion of new taxes is \$51,311. 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%. Industrial personal property is exempted from 100% of the School Operating and State Education Tax per the Michigan Business Tax.

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, Eagle Ottawa'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 abatement will show the community's support of Eagle Ottawa LLC.
2. To create and retain employment from existing eligible facilities that might, otherwise, leave the City. This abatement will allow the costs to manufacturer here to be competitive to other locations.
3. To assist in the rehabilitation of older facilities and/or expansion of existing industrial or high technology facilities.

Eagle Ottawa's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. Permanent jobs will be created as a result of the project
3. 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
4. There is a demonstrated need for financial assistance, which will strengthen Eagle Ottawa's ability to win additional contracts, resulting in a more competitive company
5. The applicant is an equal opportunity employer
6. The prospects for long-term growth are present
7. There is no current pending litigation against the City by the applicant or its agent, and
8. There are no outstanding taxing issues.

In summation, Eagle Ottawa LLC's proposed investment of \$4,760,000 in new personal property clearly is an important and strategic purchase aimed to strengthen the company's competitive position, and to add jobs.

Representatives of Eagle Ottawa LLC will make a presentation regarding its request prior to the Public Hearing. Public Act, 198, of 1974, as amended, requires that a decision be rendered within 60 days of receipt of the application. Due to State Tax Commission (STC) guidelines, the application must be approved by Council and submitted to the STC before October 31, 2011 in order to go into effect on December 31, 2011.

**RECOMMENDATION:**

Approve the request by Eagle Ottawa LLC for an Industrial Facilities Exemption Certificate for personal property only for a period of eight years based on the following reasons:

1. The IFT will generate new taxes to the taxing authorities, including Rochester Hills

2. The IFT will create new employment by Eagle Ottawa LLC in its Rochester Hills facility
3. The IFT, considered together with the aggregate amount of Industrial Facilities Exemption Certificates previously granted and currently in force, does not have the effect of substantially impeding the operation of the City of Rochester Hills or impairing the financial soundness of a taxing unit that levies an ad valorem property tax in the City
4. The facility is located in an Industrial Development District, which was established on October 17, 2011
5. The commencement of the project has not occurred prior to the approval of the IFT by the City Council of Rochester Hills
6. The project is consistent with the goals and objectives of the City Council's Tax Abatement Policy and generally meets the criteria in the Policy

Thank you.

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APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		