



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

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Legislative File No: 2007-0372 V2

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning & Development Department, ext. 2572
DATE: June 15, 2007
SUBJECT: Request for Tax Exemption Under Public Act 376 of 1996

REQUEST:

Maple Mold Technologies is requesting an eight-year tax exemption of all real and personal property pursuant to Public Act 376 of 1996, Section 125.2688d, Tool and Die Renaissance Recovery Zone for 1985 Northfield Dr.

BACKGROUND:

Maple Mold Technologies is requesting an eight-year tax exemption of its existing real and personal property pursuant to Public Act 376 of 1996. It made a presentation regarding this request at the Workshop Meeting of Council on June 20, 2007.

The deadline for applications for a Tool and Die Recovery Zone are due to the Michigan Economic Development Corp. (MEDC) in early September. The Act would permit the creation of up to two additional zones. Due to the competitive nature of the program, there is a likelihood that the collaborative that Maple Mold Technologies has joined may not be approved. If the Recovery Zone **is not approved by the MEDC, the tax exemption**, if approved by City Council, **will not go into effect**. If Council approves the exemption, but the MEDC does not approve the establishment of the Recovery Zone, Maple Mold Technologies will still have the opportunity to join an existing approved collaborative. The MEDC, however, has been very selective in allowing companies to join existing collaboratives. In addition, collaboratives are limited to no more than 20 members.

For clarification purposes, **without the exemption**, Maple Mold will pay an estimated \$64,532 in city taxes and 30,891 in county taxes over the eight-year period. Debt mills cannot be exempted and library mills are reimbursed. In addition, the exemption phases out over the final three years of the exemption in 25% increments. Therefore, **with the exemption, Maple Mold would still pay \$18,801 in city taxes combined over eight years** consisting of:

Phased in taxes - \$9,740
Debt Mills - \$3,860
Library Mills (reimbursed) - \$5,201

The City's Manager of Economic Development, Dan Casey, has expressed concerns about the program and is in a difficult position regarding this request. Two of his key responsibilities include being an advocate for Rochester Hills businesses and finding ways to increase the city's tax base. Consequently, he is not making a recommendation regarding this request. However, under "Recommendation" below,

he has outlined the positive and negative aspects to this request. He also has drafted a resolution granting the abatement based on language provided by the MEDC, should Council be inclined to favor the request.

RECOMMENDATION:

None.

Arguments for:

1. It appears very unlikely that any other Rochester Hills company will qualify for the program and, in fact, no other tool and die company in the City, with the previous exception of Avon Broach, has expressed interest.
2. The maximum number of zones allowed by law could be established by the end of this year, eliminating the possibility that another Rochester Hills tool and die company could apply
3. Maple Mold Technologies has not received a tax abatement or any other form of local municipal support in its history other than EDC bonds, which have been paid off and retired
4. The State Senate and House of Representatives established this program as a means to support the efforts of tool and die companies to compete in an increasingly competitive environment
5. The program provides tax credits and tax exemptions as a means to reduce costs, providing companies with more working capital and improving their competitive position
6. At the end of the exemption period, the company should be stronger and more able to compete
7. Maple Mold Technologies has been located in Rochester Hills since 1992, owns its building, and has gainfully employed as many as 25 workers who contribute to the local economy
8. All jurisdictions except the City and Oakland County are reimbursed by the State Department of Treasury for exempted taxes; the public library mills also are reimbursed
9. The State is exempting the company's full tax liability resulting in an incentive package that includes State, County and local support
10. The MEDC has established an annual renewal mechanism that insures that the company is meeting its obligations – if it is not, it loses the zone designation and the exemption
11. There is growing evidence that companies that participate in the program are becoming more competitive

Arguments Against:

1. The exemption will reduce tax collections of city mills by an estimated \$45,731 and county mills by an estimated \$25,467 over the eight-year period.
 2. The City's lost revenue projection for 2008 with the exemption is \$7,867 – excluding the library millage, which is reimbursed by Treasury
 3. There is a possibility that the Legislature could amend the law in the future to add additional Recovery Zones, although it does not appear likely that they would do so
 4. Unlike some incentive programs, the Tool & Die Recovery Zone does not require the company to create or retain jobs
 5. Public Act 376 of 1996 prohibits communities from establishing PILOT or payment-in-lieu-of-taxes agreements with companies seeking the exemption
 6. The exemption does not guarantee that Maple Mold Technologies will become a stronger company, nor does its participation in the collaborative
 7. There is an assumed negative impact to tool and die companies that are not participants in the program, i.e. their in-state competitors that are located in Recovery Zones are receiving tax credits and exemptions, and benefits of belonging to a collaborative that non-participants do not enjoy
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RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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

Document2