



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

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Legislative File No: 2007-0495 V2

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning & Development Department, ext. 2572
DATE: August 14, 2007
SUBJECT: Request for Transfer of Industrial Facilities Exemption Certificate #2005-388

REQUEST:

Transfer the Industrial Facilities Exemption Certificate #2005-388 for 3098 Research Dr. from BMD Group/E-Motive to Skybird Products.

BACKGROUND:

In 2005, City Council approved an Industrial Facilities Exemption Certificate (IFT) for BMD Group/E-Motive for real property only over six (6) years for 3098 Research Dr. The project included the purchase of the building, which was in core and shell only, and completion of the interior build-out. The estimated cost to complete the purchase and construction was \$1,288,818. In addition, E-Motive was planning to invest \$244,500 in new equipment, which would not be covered by the abatement, for a total investment of \$1,533,318. E-Motive also intended to create 17 new jobs at the facility.

BMD Group never completed the build-out of the space due to business difficulties and has, nevertheless, enjoyed the benefit of the abatement over nearly two years. Public Act 198 provides for a two-year construction period. Therefore, the City could not take action on this issue until the construction period expired or another eligible company came forward and requested a transfer of the IFT.

In early 2007, Skybird Products, Inc. signed a purchase agreement to acquire the entire property from BMD Group. In completing its due diligence, it became aware of the IFT. On July 17, 2007, Skybird formally requested a transfer of the IFT under PA 198, 207.571, Sec. 21 (1). It filed an application with the City on August 7, 2007.

Skybird Products proposes to complete the construction of the building, install new equipment and begin operations. Its estimated total investment is \$1,910,000, which is \$376,682 more than BMD Group had planned to invest. Because the abatement only covers the real property, the portion of the investment that is subject to the abatement is \$1,480,000. Skybird Products also plans to employ nine (9) people in the facility.

Currently, there are four years remaining on the originally approved IFT.

Skybird Product's main core business is the manufacturing, assembly, and packaging of after market automobile towing mirrors. Product is sold to national wholesale distributors and direct to Ford Motor Company. The secondary business for Skybird is the manufacturing and packaging of a patented clip to aid the construction industry in the installation of cedar or Hardie siding products. These activities

qualify Skybird Products as an eligible manufacturer under the definition of eligible companies in Public Act 198.

A financial analysis was completed to determine the impact of the abatement on taxing jurisdictions. In summary, Skybird's real property investment will generate \$136,942 in new taxes for all taxing authorities combined **without the abatement** over four years. The City portion of new taxes is \$29,603. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET), by **50%**. Therefore, the IFT, **if approved**, will generate \$68,471 in new taxes for all jurisdictions, excluding the SET. The City portion of new taxes would be \$14,802 over the remaining four years of the abatement.

In addition to the real property taxes, Skybird also will be generating \$18,851 in personal property taxes to all taxing jurisdictions, including \$6,802 to the City of Rochester Hills, over the four-year period of the abatement. Again, the personal property is not abated. Further, this analysis takes into account the 100% exemption of personal property for Avondale School's 18-mill Operating Levy and 6-mill State Education Tax as per the new Michigan Business Tax.

It is not known how a Council decision to deny the transfer will be viewed by the State Tax Commission (STC), which makes the final determination. Because Skybird Products is essentially proposing to complete the project for which BMD Group was originally approved, the STC may override a Council decision to deny the transfer and grant anywhere from one (1) to the full four years remaining on the IFT. Public Act 198 provides an appeal process for new tax abatement applications that are denied, but is silent as it relates to IFT transfers.

Skybird Products will be making a brief presentation prior to the Public Hearing on September 5, 2007.

RECOMMENDATION:

A recommendation will be provided in advance of the City Council's September 12, 2007 Regular Meeting.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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