



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

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**Legislative File No: 2007-0493 V2**

**TO:** Mayor and City Council Members

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

**DATE:** August 14, 2007

**SUBJECT:** Request for an Industrial Facilities Exemption Certificate by Ovonyx Technologies, Inc. for Personal Property

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**REQUEST:**

Ovonyx Technologies, Inc. is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property only, to be located at 2956 Waterview Dr. for a period of eight (8) years.

**BACKGROUND:**

City Council amended its Tax Abatement Policy (the "Policy") in 2005 in order to consider new investment, building expansion or construction, and reinvestment of companies in Rochester Hills or those considering relocating to the community. This decision was made, in part, in acknowledgement of the effects of globalization and increased competition both locally and abroad. It allows City Council to judiciously use tax abatements to support and strengthen companies that are located or locating in the community, and to increase their competitiveness in the marketplace. City Council's Policy states that tax abatements are an important retention and attraction tool.

Ovonyx Technologies, Inc. has applied for an IFT under terms of the City Council's Policy. It is proposing to acquire a \$3,853,500 in new personal property and complete \$190,000 in building improvements for a total investment of \$4,043,500. Nearly all of the personal property investment is for specialized analytical equipment for its test laboratory. In addition, this investment will result in the retention of 22 employees in the community and creation of 10 new positions within two years of project completion. In its application, it is requesting an abatement of personal property only over an eight-year period.

Ovonyx, Inc. was formed in 1999 with a charter to commercialize the proprietary phase-change semiconductor memory technology originally developed by Energy Conversion Devices, Inc. (ECD). ECD exclusively licensed all of its intellectual property in the area of phase-change electrical memories, including patents, to Ovonyx when the company was formed. Today, ECD is a 39% owner of Ovonyx, Inc. Ovonyx Technologies, Inc. is the subsidiary established to develop and commercialize the technology. Essentially, the memory technology would replace existing batteries in mobile communication devices, such as the cell phone.

Ovonyx currently is a tenant in the 2956 Waterview Dr. building along with ECD. ECD holds the lease. Ovonyx has a verbal agreement with ECD to sub-lease space until the lease expires in 2011, or beyond if the lease is extended. A letter to that effect has been submitted to the City by ECD.

City staff completed a financial analysis to determine the impact of the abatement. Based on the information presented and using the Tax Exemption Chart (Exhibit C), the applicant is eligible for an eight-year abatement on eligible personal property.

In summary, the analysis indicates that the investment will generate \$211,418 in new taxes for all taxing authorities combined **without the abatement** over eight (8) years. The City portion of new taxes is \$76,286. 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, by **50%**. Therefore, the IFT, **if approved**, will generate \$105,709 in new taxes for all jurisdictions, excluding the SET. The City portion of new taxes would be \$38,143 over the eight-year period.

The City's Tax Abatement Review Committee evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and generally meets the criteria established by City Council.

Specifically, Ovonix Technologies, Inc.'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 LDFA.
2. **To create and retain employment from existing eligible facilities that might, otherwise, leave the City** – The project retains 22 employees and creates 10 new positions, all technical, engineering and scientific in nature.
3. **To assist in the rehabilitation of older facilities and/or expansions of existing industrial or high technology facilities** – This project will bring \$3.8-million in research and development testing equipment into the City and LDFA District.

Ovonix Technologies, Inc.'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 – Ovonix would not make all of this investment but for the abatement
6. The applicant is an equal opportunity employer
7. The prospects for long-term growth are present – even after this investment, the company will still have room at its facility for more employees and equipment, and Ovonix is poised for tremendous growth
8. There is no current pending litigation against the City by the applicant or its agent

In summation, Ovonix Technologies, Inc. is poised to revolutionize battery technology in the mobile communication business. Its proposed investment of \$4,043,500 in personal property is clearly an important and strategic purchase aimed to strengthen the company's testing capability, which retains jobs and also creates new employment in Rochester Hills.

Representatives of Ovonix Technologies, Inc. will make a presentation regarding its request prior to the Public Hearing.

**RECOMMENDATION:**

A recommendation will be provided to City Council prior to its Regular Meeting of September 12, 2007.

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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>		