



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

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org**

Legislative File No: 2008-0073

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning and Development Department, ext. 2572
DATE: February 15, 2008
SUBJECT: Cobasys, LLC Alternative Energy Tax Exemption

REQUEST:

To consider opting out of a tax exemption of personal property acquired in 2007 by Cobasys, LLC, a certified alternative energy technology business under Public Act 549, of 2002.

BACKGROUND:

On January 25, 2006, the City Assessor's office received a notice from the Michigan NextEnergy Authority (MNEA) that Cobasys had received certification from the MNEA Board on December 20, 2005 as an alternative energy technology business, under Public Act 549, of 2002. A company certified by the MNEA Board is eligible for full tax exemption of new personal property acquired in the year in which it is certified and, possibly, future years. The City received notice on January 25, 2008 that the MNEA Board had certified personal property acquired by Cobasys in 2007 as alternative energy property. Therefore, the property is eligible for full exemption. The municipality, on behalf of other local taxing jurisdictions (Oakland County, Oakland Community College, and the Intermediate School District), has sixty -(60) days in which it can-opt out of the exemption. Likewise, the local school district also has sixty -(60) days in which it can-opt out. *Opt-out means that the City and the jurisdictions it represents in this instance are **choosing to collect the taxes** generated by the investment.* The exemption continues for personal property acquired prior to January 1, 2013.

The letter from MNEA, its Resolution certifying Cobasys as an alternative energy technology business, and a list of equipment subject to the exemption are provided as Attachment A. If City Council takes no action, the exemption will be initiated at the end of the 60-day opt-out period.

The equipment that has been certified as eligible for the exemption totals \$2,518 in true cash value. A financial analysis indicating the impact of exempted revenues to all local jurisdictions is attached as Attachment B. It is estimated that the exemption will abate an estimated **\$108** from local jurisdictions, excluding the school district, over the life of the exemption. The City portion is **\$55**.

Cobasys, LLC is a joint venture between Rochester Hills-based Energy Conversion Devices and California-based Chevron Corp. Cobasys supplies nickel metal hydride (NiMH) batteries, battery control systems, and packaged solutions for automotive applications, uninterruptable power supplies, telecommunications applications, and distributed power generation. Although Cobasys is owned (50%) by Energy Conversion Devices, it is not a Rochester Hills company. The equipment in question was purchased by Cobasys and is housed by a vendor located in Rochester Hills, Adco Circuits. It is, therefore, subject to local property taxes

The State of Michigan adopted Public Act 549, of 2002, and established the MNEA as a means to promote itself as the global leader in the development of alternative energies. It established a tax-free zone in Detroit, near Wayne State University, provided grants to three local colleges and universities to develop alternative energy curriculum, and began certifying companies as a means to incent the growth of the industry and support companies engaged in its development.

RECOMMENDATION:

Opt out of the alternative energy tax exemption for the following reasons:

1. Cobasys, LLC is not a Rochester Hills company
2. It does not have a presence in Rochester Hills, including employment

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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