

Policy Comparison Old vs. New

A. Tax Abatement Consideration

1. Old Policy – City does not support the use of tax abatement. In later discussions, Council agreed to leave the door open for consideration, which resulted in Texaco Ovonic’s recently approved application.
2. New Policy – Council’s tax abatement policy clearly defines the parameters in which an application will be considered, and uses a matrix for both real and personal property as a method to consistently evaluate applications.

B. Transfer of Employment

1. Old Policy – Abatements would not be granted for projects that resulted in transfer of employment from another Michigan community.
2. New Policy – Transfer of employment is not a disqualifying factor. This provision is based on two factors:
 - a. Legislative change to PA 198 in 2000 eliminating transfer of employment provisions
 - b. Other Michigan cities that compete with Rochester Hills do not prohibit the transfer of employment

C. Eligible vs. Ineligible Facilities

1. Old Policy – Eligible facilities must be owner occupied.
 - c. Multi-tenant facilities, non-owner occupied, tenant occupied build to suit, or speculative facilities will not be considered
2. New Policy – Eligible facilities can be owner occupied, multi-tenant, leased or speculative
 - a. PA 198 allows companies in leased facilities, multi-tenant and speculative buildings to apply for tax abatement if the facility is in an Industrial Development District. In Troy and Southfield, for example, districts often are created for specific suites in multi-tenant buildings as opposed to the entire building
 - b. Leased equipment also is eligible for abatement as long as the company leasing the equipment is responsible for the taxes.
 - c. The length of abatement for either real and/or personal property is limited to the length of the lease.

D. Limitations on Length of Abatement

1. Old Policy – The maximum term for which the Rochester Hills City Council will grant abatement is six (6) years for real property and three (3) years for personal property
2. New Policy – The maximum term for real property is identified in the Tax Exemption Chart (Exhibit C) based upon job creation and investment. The law permits a maximum of 12 years after completion of the project

and up to two (2) years during construction for a maximum of 14 years. Personal property abatements also consider job creation and investment numbers as identified in Exhibit C, Smart Investment Chart. Because of the impact of depreciation on the value of equipment, the Chart limits the length of abatement to eight (8) years; however, by law, Council may grant up to 12 years at its discretion.

- d. Smart Investment Abatements are intended in part to support the reinvestment and diversification of lines of business for Rochester Hills companies, acting as a method of local support to strengthen their ability to compete
- e. Some communities limit the length of abatements for real and/or personal property to less than the law allows. In some cases, their decisions are based on policies; but often it is based on what is politically expedient.