



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

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**Legislative File No: 2010-0264 V2**

**TO:** Mayor and City Council Members

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

**DATE:** July 1, 2010

**SUBJECT:** Request by WABCO North America, LLC for an Industrial Facilities Exemption Certificate for Personal Property

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**REQUEST:**

WABCO North America, LLC is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property, to be located at 2770 Research Dr., for a period of five (5) years.

**BACKGROUND:**

The City received a request for approval of an Industrial Facilities Exemption Certificate on June 11, 2010 from WABCO North America, LLC (WABCO) for a building it is leasing located at 2770 Research Dr.

In its application, WABCO is seeking 5-year abatement for a \$1,891,500 investment in manufacturing equipment. In addition, it will be creating 50 new jobs. The Michigan Economic Growth Authority has approved tax credits in support of the project and the abatement would serve as the City's match. In its MEGA application, WABCO has indicated that over a five-year period total investment is expected to be \$6.2-million and 274 total new jobs.

WABCO is a global technology leader in the commercial vehicle industry. For over 140 years, WABCO has pioneered innovative electronic, mechanical and mechatronic technologies for braking, stability, and transmission automation systems supplied to commercial truck, trailer and bus manufacturers. WABCO is headquartered in Piscataway, New Jersey, and has 7,200 employees in 30 countries. WABCO is proposing to establish a facility in Rochester Hills to remanufacture electronic control modules and mechatronics, which include ABS-anti-lock braking systems and electric power steering systems.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. Based on the information presented and using the Smart Investment Chart (see City Council Tax Abatement Policy), the applicant is eligible for an *8-year abatement of personal property*, but is only requesting five years.

In summary, the analysis indicates that the investment will generate \$71,789 in new personal property taxes for all taxing authorities combined **without the abatement** over five years. The City portion of new taxes combined is \$29,479. 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, including the Intermediate School District, by **50%**. Therefore, the IFT, **if approved**, will generate \$35,894 in new personal property taxes for all jurisdictions. The City portion of new taxes would be \$14,739 over the 5-year period.

The facility is owned by Avon Gear Corp. and has been vacant since it moved to a larger facility in early 2007. The existing Industrial Development District was established in 2006.

WABCO's application is consistent with the goals and objectives in the City Council's *Tax Abatement Policy* and generally meets established criteria.

WABCO'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 City.
2. **To attract companies and facilities engaged in advanced manufacturing; advanced computing or other computer-related industries; life sciences or biotechnology; nanotechnology; alternative energy; or any high-technology activity that qualifies under Public Act 144, of 2000** – the project will result in the creation of 50 new jobs in the first two years of the project and up to 274 new jobs by the end of the fifth year.

WABCO's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. The applicant owes no outstanding taxes.
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.
5. There is a demonstrated need for financial assistance – The incentive serves as the community's match for a state of Michigan MEGA tax credit.
6. The prospects for long-term growth are present – the company is locating in Michigan and Rochester Hills to complete contracts with its primary customer.

Representatives of WABCO will make a presentation regarding its request prior to the Public Hearing.

### **RECOMMENDATION:**

Approve the tax abatement request of WABCO North America, LLC for personal property only for a period of five (5) years.

This recommendation is based on the following reasons:

1. It increases the economic vitality of industrial and high technology districts within the City of Rochester Hills
2. It retains and creates new employment and increases the tax base of the community
3. The abatement is consistent with the goals and guidelines of the City Council's Tax Abatement Policy

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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>		

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