

City Council Agenda Summary Sheet (Non Purchases)

Agenda No: Alternative Energy Personal Property Exemption
Date: February 18, 2004
Prepared By: Kurt A. Dawson, Assessing Department
248.841.2416
City File No: n/a
Meeting Date: Wednesday, March 3, 2004

PURPOSE:

The City of Rochester Hills has been noticed of an Alternative Energy Personal Property Exemption for Ovonic Battery Company and the City Council has the ability to “opt out” of the exemption of the local tax collecting unit tax levies.

DISCUSSION:

On December 16, 2003, the Michigan Next Energy Authority (MNEA) certified **Ovonic Battery Company** as an Alternative Energy Technology Business and some of their personal property as Alternative Energy Personal Property. This certification qualifies the designated personal property, in the amount of no more than \$1,048,874, for a total property tax exemption through the 2012 assessment year, with potential exceptions.

The exceptions provide for an “**opt out**” provision whereby the local school district and the local governing body can adopt a resolution to **not exempt** the certified alternative energy personal property from their tax levies. If both the school district and the local taxing unit opt out, the alternative energy personal property will still benefit from an exemption from the SET and local school district operating millages. The local school district can opt out of the exemption of a sinking fund levy and outstanding bonded indebtedness levy if they pass a Resolution To Not Exempt within 60 days of the notice of certification. The governing body of the Local Tax Collecting Unit (in this case the City of Rochester Hills) may adopt a Resolution To Not Exempt Alternative Energy Personal Property from certain taxes collected in that local tax-collecting unit. Examples of taxes the City of Rochester Hills can opt out of are: City taxes, County taxes, Intermediate School District taxes, Community College taxes and taxes levied by authorities such as DDA’s, district libraries, transit authorities, etc. The “opt out” resolution must be adopted within 60 days of the receipt of the notice of certification (01/09/04).

Before the City Council considers the “opt out” provision and not exempt local taxes, a hearing must be held. At this hearing, the representatives of the legislative body of each taxing unit and the assessor shall be afforded an opportunity to be heard. The City Clerk has notified the assessor, the Ovonic Battery Company and the local taxing units of the hearing as scheduled on the agenda.

Attached, please find the correspondence from the Michigan Economic Development Corporation that includes more detailed information on the certification and the public acts that govern this process. Also attached is a Resolution to Not Exempt should the City Council desire

not to grant an exemption for the local tax collecting unit tax levies. Should the City Council support the exemption of local tax levies, no action is necessary.

FISCAL INFORMATION:

No staff impact. The estimated taxable value of the subject personal property for the 2004 assessment year is 487,360. This tax revenue to the City of Rochester Hills is estimated to be \$4,565.64 for the 2005 budget year (2004 assessment year). The estimated tax revenue to the other local tax collecting units is \$4,701.61. The value of personal property depreciates quite rapidly over the years and the potential revenue loss would diminish through the end of the exemption in 2012.

RECOMMENDATION:

The Michigan Next Energy Authority was created and the alternative energy personal property exemption extended to Ovonic Battery Company to encourage these types of technology companies to expand their operations in Michigan. It's an inducement to help replace the loss of manufacturing businesses and jobs that have left the State. The City's recent incentive programs have included the IFT abatement of significant projects with up to three years of abatement on new real property and up to six years of abatement on new personal property. This abatement has been equivalent to an approximate reduction in taxes of 44.01% for six years on personal property. The abatement of taxes on the new personal property in this instant, should the school district and the local unit "opt out", would still be equivalent to an approximate reduction in taxes of 47.42% for nine years. The tax savings would be slightly greater and longer than our current incentive program. This estimated percentage reduction was calculated by dividing the aggregate of the Set (6.0) and School Operating (18.0) millages, by the total Avondale School District Non-Homestead Millage (50.6152, 2003 rate adjusted for the Set tax change for 2004). Again, the Set and School Operating millages will be abated regardless of the school district and local taxing unit actions. As of this date, our department has not been able to conduct an on-site review of the certified personal property and our tax estimates are based on all of the reported property being classified as personal property. An on-site visit and review of the certified personal property has been scheduled for Friday, February 20, 2004.

The administrations recommendation is to "opt out" of the local unit tax exemption for the subject alternative energy personal property. This option would grant abatement more consistent with our current incentive program.

ATTACHMENTS:

Michigan Economic Development Corporation correspondence, with attachments, dated 1/5/04.

Resolution To Not Exempt Alternative Energy Personal Property of the Ovonic Battery Company.

Department Authorization: Kurt A. Dawson, Assessor/Treasurer

Reviewed by:

Fiscal: *Jean Farris*

Clerks: *Susan Koliba-Galeczka*

Approved by: *Pat Somerville*