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CITY OF ROCHESTER HILLS

**P**lanning and  
Development

DATE: June 27, 2003

TO: Melinda Hill, Council President

FROM: Dan Casey

RE: Request from Avon Broach for  
a Tool & Die Recovery Zone

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George Buhaj, owner of Avon Broach in Rochester Hills, is requesting a Resolution from City Council that would support the establishment of a Tool & Die Recovery Zone at 1089 John R. He is seeking to make a presentation regarding this issue at Council's Workshop meeting of July 27, 2005. Avon Broach has been an employer in Rochester Hills since the mid 1950s.

In 2004, the MEDC approved eight (8) zones that support 30 companies. By the end of 2005, the MEDC can establish up to 12 additional zones. The process is highly competitive and applications are due early in September. To qualify, companies must be a part of a collaborative, own or lease their properties, be fewer than 50 employees and have received a Resolution from the local municipality agreeing to abate all local taxes for a period of time not to exceed 15 years.

Avon Broach has agreed to enter into a collaborative with several other companies. I don't have all of the details at this time, but will be receiving a packet of information from Mr. Buhaj by July 13. One of the companies is located in Roseville and has received a Resolution from that city agreeing to abate local taxes for five years. Avon Broach is seeking the same arrangement.

The goal of the program is to strengthen the companies located in the Zones, who face a global competitive disadvantage because of labor and material costs. The single-business tax credits and abated taxes assist in offsetting these disadvantages and help them to reinvest in equipment and technology so that at the end of the abatement they are more capable of competing. I am concerned that granting this abatement will encourage other Rochester Hills tool and die companies to apply. However, the application process is very time consuming, including the formation of a collaborative group, and the deadline is early September, so it is very unlikely that any other Rochester Hills companies would apply. No other Rochester Hills companies have expressed interest in the program.

Should Council be willing to consider approving a Resolution, the abatement of taxes could be contingent upon the approval of the application by the MEDC. Further, I am exploring whether PA 376 would permit a PILOT, or payment in lieu of taxes to cover basic city service costs. In addition, the State must reimburse the local schools, community colleges and libraries. Only the City and County taxes are not reimbursed.

I'm requesting that we add this issue to the agenda for the July 27 Workshop. In addition, Avon Broach is requesting Council action at either the August 3<sup>rd</sup> or 17<sup>th</sup> Regular Meeting. Again, the collaborative's application is due to the MEDC in early September.

Please contact me if you have additional questions, at (248) 841-2577.