



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

**1000 Rochester Hills Dr.
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Legislative File No: 2005-0500

TO: Mayor and City Council Members

FROM: Ed Anzek, Planning & Development Department, ext. 2572

DATE: July 22, 2005

SUBJECT: Presentation by Avon Broach Regarding its Request for Tax Abatement Under Public Act 376 of 1996

REQUEST:

Avon Broach is seeking to make a presentation regarding its request for a five-year abatement of all real and personal property pursuant to Public Act 376 of 1996, Section 125.2688d, Tool and Die Renaissance Recovery Zone for 1089 John R.

BACKGROUND:

Avon Broach & Production Company was established in 1950 at 1089 John R. It serves a variety of industries including automotive and aerospace, and is a tool and die manufacturer. Currently, Avon Broach employs 18 people in its 30,000-square-foot building on John R. Based on research conducted by staff, it does not appear that Avon Broach has ever benefited from tax abatement, EDC bond or other local incentive or development programs.

The legislature drafted an amendment to Public Act 376 of 1996, which was passed in 2004 and further amended in 2005, creating Tool and Die Renaissance Recovery Zones (“recovery zone”). The program seeks to provide incentives to support up to 20 collaborative organizations consisting of tool and die companies, trade associations and service providers. The principal purpose of the program is to support and strengthen tool and die companies located in the State of Michigan against global competition. Unlike traditional economic development programs, a recovery zone is not a defined area. The Michigan Economic Development Corporation (MEDC) approves recovery zones after one or more tool and die companies form a collaborative organization, sign a qualifying collaborative agreement and submit a detailed application. In 2004, the MEDC established eight (8) recovery zones. The MEDC may establish up to an additional 12 recovery zones and the deadline for this year’s consideration is September 12th. To qualify, companies must not have more than 50 employees and fall under one of four codes under the North American industrial classification system. Further, a recovery zone shall have a duration of renaissance zone status for a period not to exceed 15 years.

There are many benefits for a company that is part of a recovery zone. First, belonging to a collaborative provides significant benefit, allowing companies to work together to attract business and fulfill contracts. Companies receive a tax credit against the Michigan Single Business Tax for business activity attributable to the recovery zone. Companies may also apply to their local municipality for a 100% abatement of existing real and personal property taxes for a period of 1-15 years. All of the companies in the collaborative, under the current statute, must receive abatement from their local communities for the same number of years. An amendment to the statute has been drafted and is being considered by the

legislature that would allow abatements over varying lengths of time. Debt obligations are exempt from abatement. In addition, local schools, intermediate school districts, community colleges and public library abated taxes are reimbursed by the State Department of Treasury. Only County and municipal taxes are not reimbursed. Further, the company is not required to create jobs or invest new dollars in equipment or facilities.

The goal of the program is to strengthen companies that participate so that when they emerge, they are better able to compete globally.

Avon Broach is requesting a five-year abatement from the City of Rochester Hills. It belongs to a collaborative that has already established a qualifying collaborative agreement. One of the other companies in the collaborative, Hillside Tool & Die, LLC, has successfully received a five-year abatement from the Roseville City Council. The other participating companies are seeking similar abatements from their municipalities. The collaborative intends to apply for a recovery zone and is working with Raymond & Prokop and the Michigan Tooling Association.

Representatives from Avon Broach, the State of Michigan and the Michigan Tooling Association wish to make a presentation at the Regular Meeting of August 3rd. Further, Avon Broach is asking that Council consider the request for abatement at its August 17 Regular Meeting in order that it may meet the MEDC's deadline for application.

Avon Broach has provided further detail regarding this request, including its tax payments since 2002, on the attachments below. In summary, the company paid \$5,140.74 in City tax in 2004. Additionally, it paid \$2,550.04 to Oakland County in 2004.

RECOMMENDATION:

None at this time.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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