



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

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**Legislative File No: 2005-0500 V2**

**TO:** Mayor and City Council Members  
**FROM:** Ed Anzek, Planning & Development Department, ext. 2572  
**DATE:** August 4, 2005  
**SUBJECT:** Request for Tax Abatement Under Public Act 376 of 1996

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**REQUEST:**

Avon Broach is requesting 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 is requesting a five-year abatement of its existing real and personal property pursuant to Public Act 376 of 1996. It made a presentation regarding this request at the Regular Meeting of Council on August 3, 2005.

Staff has provided City Council with a significant amount of information regarding the Tool and Die Renaissance Recovery Zone and Avon Broach also submitted a packet of additional information.

The deadline for applications for a Tool and Die Recovery Zone are due to the Michigan Economic Development Corporation on September 12, 2005. Due to the competitive nature of the program, there is a possibility that the MEDC could approve 12 new zones during the current round, which would complete the establishment of 20 total zones as permitted by Public Act 376 of 1996. Consequently, Avon Broach and the other members of its collaborative intend to present its application for the current round.

During the presentation, Rob Dumont from the Michigan Tooling Association responded to a question regarding the likelihood of another Rochester Hills company applying for a Tool and Die Recovery Zone in the future. He indicated that the remaining 12 zones would be assigned this year. In speaking with the MEDC, they do not necessarily agree with Mr. Dumont's statement. Public Act 376 of 1996 does not provide a sunset provision for the establishment of the zones. In other words, there is a possibility that less than 12 zones will be designated by the MEDC in 2005.

Other companies in metro Detroit in recent months have formed collaborative organizations with the intention of applying for designation and requested abatements from their councils, and the results have been mixed. Abatement requests under this program were denied in Madison Heights, Auburn Hills and Novi. Requests, however, were approved for two different companies in Roseville, including one involved in the same collaborative as Avon Broach. The City of Detroit also approved an abatement request.

The City's Manager of Economic Development, Dan Casey, has expressed concerns about the program and is in a difficult position regarding this request. Two of his key responsibilities include being an advocate for Rochester Hills businesses and finding ways to increase the city's tax base. Consequently, he is not making a recommendation regarding this request. However, under "Recommendation" below, he has outlined the positive and negative aspects to this request. He also has drafted a resolution granting the abatement based on language provided by the MEDC, should Council be inclined to favor the request.

**RECOMMENDATION:**

None.

**Arguments for:**

1. Avon Broach is the only Rochester Hills tool & die company willing to make the commitments necessary in order to qualify for the program
2. No other Rochester Hills company has expressed interest in the program
3. The maximum number of zones allowed by law could be established by the end of this year, eliminating the possibility that another Rochester Hills tool and die company could apply
4. Avon Broach has not received a tax abatement or any other form of local municipal support in its history
5. The State Senate and House of Representatives established this program as a means to support the efforts of tool and die companies to compete in an increasingly competitive environment
6. The program provides SBT credits and tax abatements as a means to reduce costs, providing companies with more working capital and improving their competitive position
7. At the end of the abatement period, the company should be stronger and more able to compete
8. Avon Broach has been located in Rochester Hills since 1950 and has gainfully employed workers who contribute to the local economy
9. All jurisdictions except the City and Oakland County are reimbursed by the State Department of Treasury for abated taxes; the public library mills also are reimbursed
10. The State is abating the company's full SBT liability resulting in an incentive package that includes State, County and local support
11. The MEDC has established an annual renewal mechanism that insures that the company is meeting its obligations – if it is not, it loses the zone designation and the abatement

**Arguments Against:**

1. The abatement will reduce tax collections of all jurisdictions combined by an estimated \$27,221/year
2. The City's lost revenue projection for 2006 is \$4,205 – excluding the library millage, which is reimbursed by Treasury
3. Projected over the five years of the abatement, the City would lose an estimated \$22,319
4. There is a possibility that the MEDC will not designate all 20 Tool & Die Recovery Zones in 2005 as permitted by law, creating the possibility that another Rochester Hills company could apply for a zone in future years
5. Unlike some incentive programs, the Tool & Die Recovery Zone does not require the company to create or retain jobs
6. Public Act 376 of 1996 prohibits communities from establishing PILOT or payment-in-lieu-of-taxes agreements with companies seeking the abatement
7. There is not sufficient evidence that the abatement and SBT credits combined will strengthen the company or make it more globally competitive

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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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