



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

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org**

Legislative File No: 2006-0131

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning and Development Department, ext. 2572
DATE: February 6, 2006
SUBJECT: Ovonic Battery Company Alternative Energy Tax Exemption

REQUEST:

To consider opting out of a tax exemption of personal property acquired in 2005 by Ovonic Battery Company, a certified alternative energy technology business under Public Act 549, of 2002.

BACKGROUND:

On January 13, 2006, the City Assessor's office received a notice from the Michigan NextEnergy Authority (MNEA) that Ovonic Battery Co. had received certification from the MNEA Board on December 20, 2005 as an alternative energy technology business, under Public Act 549, of 2002. A company certified by the MNEA Board is eligible for full tax exemption of new personal property acquired in the year in which it is certified and, possibly, future years. The municipality, on behalf of other local taxing jurisdictions (Oakland County, Oakland Community College, and the Intermediate School District), has sixty -(60) days in which it can-opt out of the exemption. Likewise, the local school district also has sixty -(60) days in which it can-opt out. The exemption expires on January 1, 2013.

The letter from MNEA, its Resolution certifying Ovonic Battery Co. as an alternative energy technology business, and a list of equipment subject to the exemption are provided as attachments. If City Council takes no action, the exemption will be initiated at the end of the 60-day opt-out period.

Ovonic Battery Co. has indicated that it has acquired \$196,526 in personal property in 2005 that is eligible for exemption. A financial analysis indicating the impact of exempted revenues to all local jurisdictions is attached. It is estimated that the exemption will abate an estimated \$12,235 from local jurisdictions, excluding the school district, during the life of the exemption. The City portion is \$6,139.

Ovonic Battery Co.'s current annual tax liability for Summer 2005 and Winter 2006 combined for all jurisdictions is \$52,238 for real property and \$14,223 for personal property at its building at 2968 Waterview.

Ovonic Battery Co. is a global leader in the research and development of alternative energies, and specifically, fuel cells and battery technologies. It has been headquartered in Rochester Hills since 2002. Its sister company, Energy Conversion Devices, also is located in Rochester Hills.

Ovonic Battery Co. representatives have indicated that the company does not anticipate a substantial investment in its facilities next year. Further, its building on Waterview is full and built-out. Should Ovonic Battery Co. need larger facilities, it will either have to lease another building, locate a portion of

its workers to another Energy Conversion Devices/Ovonic facility, or consolidate into a larger facility. In any case, the City wishes to retain Ovonic Battery Co.'s headquarters, which provides a significant means of promoting the Rochester Hills name globally.

The State of Michigan adopted Public Act 549, of 2002, and established the MNEA as a means to promote itself as the global leader in the development of alternative energies. It established a tax-free zone in Detroit, near Wayne State University, provided grants to three local colleges and universities to develop alternative energy curriculum, and began certifying companies as a means to incent the growth of the industry and support companies engaged in its development.

A resolution to opt-out of the exemption is attached. In addition, a resolution to support the exemption also is attached.

RECOMMENDATION:

Approve the recommendation supporting the exemption based on the following:

1. Ovonic Battery Co. is an important pioneer in the development of alternative energies and technologies, specifically fuel cell and battery technologies
2. The association of the Rochester Hills name to Ovonic Battery Co. provides an important means of promoting the community and region, as well as supporting the economic development strategy of the State of Michigan and Michigan Economic Development Corp.
3. Ovonic Battery Co. has invested significant dollars in its facilities in Rochester Hills, and its workers support the local economy
4. Ovonic Battery Co.'s workers are likely candidates to be residents of Rochester Hills due to the high salaries it pays
5. Neither Ovonic Battery Co.'s real or personal property is currently exempted or abated under a State of Michigan program
6. Supporting the exemption is consistent with the City's goals to attract and retain high-technology companies within its SmartZone
7. This exemption will not impact the fiscal capacity of the City

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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