



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2016-0243 V2

TO: Mayor and City Council Members

FROM: Ed Anzek, Director of Planning & Economic Development, ext. 2572

DATE: July 5, 2016

SUBJECT: Request for Industrial Facilities Tax Exemption Certificate by Jenoptik Automotive North America.

REQUEST:

Jenoptik Automotive North America is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real property for a period of twelve (12) years.

BACKGROUND:

City Council adopted a Tax Abatement Policy (the "Policy") in order to support new investment; building expansion or construction; reinvestment of companies in Rochester Hills or those considering relocating to the community. City Council's Policy states that tax abatements are an important retention and attraction tool.

Jenoptik Automotive North America is a publicly traded company with world headquarters in Germany. Jenoptik is broken down into 5 divisions with U.S. operations located in Florida and Michigan. For nearly 10 years, Jenoptik has operated in Rochester Hills with the purchase of Detroit Precision Tooling Company (Hommel-Etamic) at 1505 W. Hamlin Road. The company's strategic plan is to grow its North American sales and consolidate much of its operations into two major campuses – one in Florida and one in Michigan. The consolidation of these operations into technical campuses has its strategic elements and thus has been a competitive economic development project for the City of Rochester Hills. With another key operation in Brighton, many cities were considered. Ultimately, based on our incentive package, and the relationship City Administration developed with this innovative company, the Jenoptik Board of Directors selected Rochester Hills as home to its planned Automotive Technical Campus.

In 2010, City Council approved a Tool & Die Recovery Zone tax exemption that allowed Jenoptik (at the time referred to as Hommel-Etamic) to claim a 100% exemption from City and County taxes for five years. The purpose of that industry-specific exemption was to encourage investment in new technologies and form joint partnerships through "Collaboratives". That exemption expired in 2015. Since the approval of that tax exemption, Jenoptik has invested significantly in its Rochester Hills' operations and nearly doubled its workforce.

As reported in the application, Jenoptik Automotive North America plans to construct a 100,000 square-foot facility at 1500 W. Hamlin Road. The projected real property investment is \$12,883,382. Jenoptik also anticipates investing \$592,466 in new personal property at the facility, bringing a total investment of \$13,475,848. With new State legislation eliminating personal

property tax for future purchases of industrial manufacturing property, a personal property tax abatement is not applicable, and thus City Council is only to consider a real property tax abatement.

Jenoptik has applied for an IFT under the terms of the City Council’s Tax Abatement Policy. An Industrial Development District (IDD) must be established for the consideration and approval of an IFT. Staff has evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and meets the criteria established by City Council.

Specifically, Jenoptik Automotive North America’s project meets the following policy goals:

1. The investment will increase the economic vitality of the industrial and high technology districts within the City of Rochester Hills.
2. The investment will create and retain permanent jobs at the Jenoptik Automotive facility that might, otherwise, have left the City.
3. To project will enhance the general attractiveness of the community.
4. The applicant is engaged in the field of advanced manufacturing.

Jenoptik’s project also meets the following policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. There are no outstanding taxing issues.
3. Permanent jobs will be created and retained as a result of this project.
4. There is a demonstrated need for financial assistance to encourage Jenoptik to expand its production capabilities in Rochester Hills.
5. The prospects for long-term growth are present, and
6. There is no current pending litigation against the City by the applicant or its agent.

City staff has completed a tax abatement financial analysis to determine the impact of the abatement per Jenoptik’s request. It is attached for your review. ***In summary, it indicates that the investment will generate approximately \$1,833,300 combined in new real property taxes for all jurisdictions, with the abatement, over the period of 12 years. The City portion of the new taxes is \$374,184.*** If the abatement is not approved, some or all of these taxes may not be realized.

Based on the information presented and using the Tax Exemption Chart (see City Council Tax Abatement Policy), the applicant is eligible for a **12-year abatement**. Representatives of Jenoptik will make a presentation regarding its request prior to the Public Hearing. John Staran has reviewed the attached Development Agreement and found it to be in order. Staff will secure a signed agreement once City Council has approved the IFT.

RECOMMENDATION:

Approve the request by Jenoptik Automotive North America per the guidelines of Council’s Tax Abatement Policy for an Industrial Facilities Exemption Certificate on real property for a period of 12 years.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		

