



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

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**Legislative File No:** 2006-0130

**TO:** Mayor and City Council Members

**FROM:** Ed Anzek, Planning and Development Department, ext. 2572

**DATE:** February 6, 2006

**SUBJECT:** Energy Conversion Devices Alternative Energy Tax Exemption

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**REQUEST:**

To consider opting out of a tax exemption of personal property acquired in 2005 by Energy Conversion Devices (ECD), 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 ECD 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 ECD 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.

ECD has indicated that it has acquired \$1,436,154 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 \$86,935 from local jurisdictions, excluding the school district, during the life of the exemption. The City portion is \$43,622.

ECD is a global leader in the research and development of alternative energies. It has been headquartered in Rochester Hills since 2002. Its sister company, Ovonic Battery Company, also is located in Rochester Hills. ECD received a tax abatement of personal property only from the City beginning in 2002, which expires at the end of 2006. In 2007, this property will return to the ad valorem tax rolls, will be fully taxable and generate an estimated \$12,175 in new revenue to the City. In 2005, ECD relocated 50 workers to Rochester Hills from its facility in the City of Troy.

In meeting with ECD representatives, it became clear that the company does not anticipate a substantial investment in its facilities next year. Further, its two buildings on Waterview are full and built-out. Should ECD need larger facilities, it will either have to lease another building, locate a portion of its workers to another ECD/Ovonic facility, or consolidate into a larger facility. In any case, the City wishes

to retain ECD'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. ECD is an important pioneer in the development of alternative energies and technologies
2. The association of the Rochester Hills name to ECD 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. ECD has invested significant dollars in its facilities in Rochester Hills, and its workers support the local economy
4. ECD's workers are likely candidates to be residents of Rochester Hills due to the high salaries it pays
5. ECD's real property is not subject to an abatement or the proposed exemption and provides annual revenue to the City and other local jurisdictions
6. ECD's existing abated personal property will be returning to the ad valorem tax rolls in 2007
7. Supporting the exemption is consistent with the City's goals to attract and retain high-technology companies within its SmartZone

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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> |                  |             |