



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

**1000 Rochester Hills Dr.
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Legislative File No: 2007-0086

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning and Development Department, ext. 2572
DATE: January 29, 2007
SUBJECT: Ovonic Battery Company Alternative Energy Tax Exemption

REQUEST:

To consider opting out of a tax exemption of personal property acquired in 2006 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 City received notice on January 10, 2007 that the MNEA Board had certified personal property acquired by Ovonic in 2006 as alternative energy property. Therefore, the property is eligible for full exemption. 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. *Opt-out means that the City and the jurisdictions it represents in this instance are **choosing to collect the taxes** generated by the investment.* The exemption expires on January 1, 2013.

The letter from MNEA, its Resolution certifying Ovonic 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.

The equipment that has been certified as eligible for the exemption totals \$64,952. 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 \$2,978 from local jurisdictions, excluding the school district, during the life of the exemption. The City portion is \$1,497.

Ovonic is a global leader in the research and development of alternative battery technologies. It has been headquartered in Rochester Hills since 2002. Its parent company, Energy Conversion Devices, also is located in Rochester Hills.

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.

Council may wonder why Ovonic isn't considering a tax abatement of this equipment instead of the exemption. The fact is that the exemption program provides a greater abatement to Ovonic than traditional tax abatement would. Based on Council's current tax abatement policy, this investment wouldn't qualify for abatement anyway. The minimum investment required for consideration under the policy is \$500,000.

I request that we discuss the item and also forward it for Council consideration at its Regular Meeting of February 14, 2007.

RECOMMENDATION:

Schedule this item for City Council's Regular Meeting of February 14, 2007.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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