



**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: 2008-0463

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning & Development Department, ext. 2572
DATE: August 14, 2008
SUBJECT: Request for Transfer of Industrial Facilities Exemption Certificate #2006-428

REQUEST:

Transfer the Industrial Facilities Exemption Certificate #2006-428 for 2923 Technology Dr. from Energy Conversion Devices, Inc. to ThyssenKrupp Materials, NA.

BACKGROUND:

On September 6, 2006, City Council approved a request by Energy Conversion Devices (ECD) for an Industrial Facilities Exemption Certificate (IFT) for real and personal property improvements to be located at 2923 Technology Dr. The investment in real property improvements was \$500,000 and the personal property investment was an estimated \$500,000 in new equipment. The abatement was approved for 8 years, due in part to the large number of retained jobs (40) and 28 new positions planned for the facility.

In early 2008, operations in the facility ceased due to the company's desire to eliminate certain capital and asset costs. The employees and equipment were transferred to other Rochester Hills facilities. The equipment immediately left the IFT tax rolls and reverted to the ad valorem rolls. The abatement on the real property improvements, however, continued. ECD also began marketing the building for sub-lease.

The Planning & Development Department began working with ThyssenKrupp Materials, NA, located in Detroit, which needed a new facility, and was ultimately successful at attracting it to ECD's building. A sub-lease agreement was signed in June. One of the reasons that ThyssenKrupp was interested in the building was the possibility of having the IFT transferred to it. ThyssenKrupp submitted its application for the IFT transfer on August 1, 2008.

The process for a transfer is straightforward. The company submits the request and City Council approves or rejects it by Resolution. Neither a public hearing nor notice to the public or taxing authorities is required.

Currently, we are in the 2nd year of an approved eight-year IFT.

It's important to note that the real property investment was completed in 2007. That's the only portion of the existing IFT that can be transferred. ThyssenKrupp also will be investing \$200,000 in new equipment and transferring in existing equipment, neither of which is eligible for abatement under the existing IFT. It proposes to locate up to 20 employees in the facility.

It's also important to note that the facility is located in the City's Local Development Finance Authority (LDFA) District, which captures the local levies of the City, County and Oakland Community College. Only the debt mills from these jurisdictions are distributed locally. It also captures 50% of the school operating, State Education Tax and Intermediate School Districts levies to fund its SmartZone projects. Based on the City's assessment records, the real property improvements generated \$2,216 in taxes for the Winter 2007 tax bill and \$3,277 in the Summer 2008 tax bill. The City's portion of taxes is collected in the Winter bill and was \$937. Of course, nearly all of these taxes went directly to the LDFA.

Finally, it's important to note that the majority of the assessment of the building is not subject to the IFT and is generating its full tax. Combined taxes collected on the portion of the building not covered by the IFT over the same one-year period totaled \$66,619. The City's portion was \$12,545.

If City Council denies the transfer, ThyssenKrupp can appeal the decision to the State Tax Commission based on the fact that the real property investment has already occurred. It is not known how the State Tax Commission might rule on an appeal.

RECOMMENDATION:

Approve the Transfer of Industrial Facilities Exemption Certificate #2006-428 from Energy Conversion Devices, Inc. to ThyssenKrupp Materials, NA for the following reasons:

1. The investment in real property improvements has been completed
2. ThyssenKrupp will be investing additional money in new equipment, which will be fully taxed, and creating up to 20 additional jobs

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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