



**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: 2008-0499 V2

TO: Mayor and City Council Members

FROM: Ed Anzek, Planning & Development Department, ext. 2572

DATE: October 29, 2008

SUBJECT: Request for Tax Exemption Under Public Act 376 of 1996, Tool & Die Recovery Zone, by Urgent Plastic Services

REQUEST:

Urgent Plastic Services is requesting an authorizing letter of support from the City of Rochester Hills consenting to the establishment of a Recovery Zone, under Public Act 376 of 1996, Section 125.2688d, the Renaissance Zone Act, for its parcel at 2777 Product Dr.

BACKGROUND:

On October 27, 2008, Urgent Plastic Services (UPS) made a presentation to the Rochester Hills City Council regarding its request for the establishment of a Recovery Zone, under Public Act 376 of 1996, Section 125.2688d, the Renaissance Zone Act. Action on the request was postponed by City Council to a future meeting so that more information could be gathered and presented.

Council requested that UPS provide a copy of its financial statements. It has complied with this request, but has asked that the information remain confidential. Therefore, City Council will receive UPS' financial statement at the November 10 meeting. UPS has further asked that all copies of this information be returned to it at the conclusion of the meeting.

City Council also requested to know whether a shorter-term exemption could be approved. The company is requesting ten years. In reviewing the legislation, the minimum length of an exemption under PA 376 is five (5) years. An extension may be granted by City Council in the future.

UPS representatives will be in attendance at the meeting to answer questions.

Finally, a report has been prepared and provided to you that shows the impact of tax abatements, energy exemptions and tool and die exemptions from 2006 to 2008. The last portion of the report, on page three, shows the cumulative results of these programs.

RECOMMENDATION:

None.

Arguments for:

1. The maximum number of zones allowed by law could be established by the end of this year, eliminating the possibility that another Rochester Hills tool and die company could apply for a

new zone; however, there is still a possibility that a company could request to join an existing collaborative that has not achieved its maximum membership

2. UPS has not received a tax abatement or any other form of local municipal support in its history
3. The State Senate and House of Representatives established this program as a means to support the efforts of tool and die companies to compete in an increasingly competitive environment
4. The program provides tax credits and tax exemptions as a means to reduce costs, providing companies with more working capital and improving their competitive position
5. At the end of the exemption period, the company should be stronger and more able to compete
6. UPS has been located in Rochester Hills for 15 years, owns its building, and has gainfully employed as many as 66 workers who contribute to the local economy
7. All jurisdictions except the City and Oakland County are reimbursed by the State Department of Treasury for exempted taxes; the public library mills also are reimbursed
8. The State is exempting the company's full tax liability resulting in an incentive package that includes State, County and local support
9. The MEDC has established an annual renewal mechanism that insures that the company is meeting its obligations – if it is not, it loses the zone designation and the exemption
10. There is growing evidence that companies that participate in the program are becoming more competitive

Arguments Against:

1. Based on a tax analysis completed by the Planning & Development Department, the exemption will reduce tax collections of city mills by an estimated \$81,563 and county mills by an estimated \$45,399 over the ten-year period.
2. There is a possibility that the Legislature could amend the law in the future to add additional Recovery Zones, although it does not appear likely that they would do so
3. Unlike some incentive programs, the Tool & Die Recovery Zone does not require the company to create or retain jobs
4. Public Act 376 of 1996 prohibits communities from establishing PILOT or payment-in-lieu-of-taxes agreements with companies seeking the exemption
5. The exemption does not guarantee that UPS will become a stronger company, nor does its participation in the collaborative
6. There is an assumed negative impact to tool and die companies that are not participants in a Recovery Zone and collaborative, i.e. non-participants do not receive tax exemptions

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		

Department Director		
Mayor		
City Council Liaison		

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