



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

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
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Legislative File No: 2010-0155 V2

TO: Mayor and City Council Members

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

DATE: April 1, 2010

SUBJECT: Request by Lear Corporation for an Industrial Facilities Exemption Certificate for Personal Property

REQUEST:

Lear Corporation is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property, to be located at 3000 Research Dr., for a period of 12 years.

BACKGROUND:

The City received a request to establish an IDD on March 17, 2010 from Lear Corp. for a building it owns located at 3000 Research Dr. The City also received an application for an industrial facilities exemption certificate from Lear Corp. for the same property.

In its application, Lear Corp. is seeking 12-year abatement for a \$2,201,300 investment in manufacturing equipment. In addition, it will be retaining 10 local workers and creating 261 new jobs. The investment will support several contracts from General Motors. Recently, Lear Corp. conducted an analysis of two plants which had the capability to support the General Motors work. The plants were located in Rochester Hills and Fenton, Michigan. The Rochester Hills facility is owned by Lear Corp. and larger than the Fenton plant and is well situated to transport product to its customers. A key factor in the decision, however, was a union vote by the workers at the Fenton plant to relocate to Rochester Hills. Consequently, 157 of the 261 new jobs are transferring workers from the Fenton plant to Rochester Hills. The remaining 104 jobs will be new hires for Lear Corp.

Lear Corporation is one of the world's largest suppliers of automotive seating systems and electrical power management systems. The company's products are designed, engineered and manufactured by a diverse team of 75,000 employees at 197 locations in 35 countries. A company history has been provided in your packet, detailing the growth of the company. The company's world headquarters is in Southfield, Michigan. Within the past 12 months, Lear Corp. successfully exited from Chapter 11. The company's financial troubles were brought on by many factors, including an extended period of strategic acquisition. It grew its business rapidly during the mid-90s, assuming many facilities, employees and debt from these acquisitions. In addition, increases in raw material prices, reduced sales volume and general economic conditions placed tremendous pressure on the company's finances over the past two years. Lear Corp., however, has survived and grown stronger as some of its competitors have faltered.

The new General Motors contracts are strong evidence that Lear Corp. is recovering. New contracts which will be fulfilled at the Rochester Hills plant include the manufacture of automotive seating systems for General Motors' GMT-900 (large trucks/SUV), T-300 (Chevy Aveo) and J-300 (Buick Verano). The

company has indicated that it is very close to winning another contract, and that work also is slated for the Rochester Hills plant, which will result in additional investment and job creation.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. Based on the information presented and using the Smart Investment Chart (see City Council Tax Abatement Policy), the applicant is eligible for an *8-year abatement of personal property*.

In summary, the analysis indicates that the investment will generate \$123,945 in new personal property taxes for all taxing authorities combined **without the abatement** over eight years. The City portion of new taxes combined is \$50,896. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET) and personal property subject to the 18-Mill School Operating Levy, including the Intermediate School District, by **50%**. Therefore, the IFT, **if approved**, will generate \$61,973 in new personal property taxes for all jurisdictions. The City portion of new taxes would be \$25,448 over the 8-year period.

When the analysis is calculated over a full 12-year period, it results in an estimated \$79,656 in abated taxes from all jurisdictions, including \$30,753 from the City.

Lear Corporation built the facility on Research Dr. in 1994. Despite the fact that Lear Corporation is one of the larger employers in the City over that past 15 years and has one of the largest industrial buildings within the community, the company has not previously requested any incentives.

Lear Corporation's application is consistent with the goals and objectives in the City Council's *Tax Abatement Policy* and generally meets established criteria.

Lear Corporation's project meets the following Policy goals:

1. **It encourages development that will increase the economic vitality of the industrial and high technology districts** – The project generates new revenue for the City.
2. **To create and retain employment from existing eligible facilities that might otherwise leave the City** – The project retains 10 existing employees, and transfers or creates at least 261 new jobs within two years of project completion.

Lear Corporation's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. The applicant owes no outstanding taxes.
3. Permanent jobs will be created or retained as a result of the project.
4. The project has not started prior to the City's receipt of the application, and it is located in a qualifying Industrial Development District – this assumes that Council agrees to create the District.
5. There is a demonstrated need for financial assistance – Without the incentive, Lear Corporation planned to sell the vacant facility.
6. The prospects for long-term growth are present – the General Motors contracts have been approved for five years and Lear Corporation has additionally serviced all of the interior system work for General Motors' GMT series over the past ten years

Representatives of Lear Corporation will make a presentation regarding its request prior to the Public Hearing.

RECOMMENDATION:

Approve the tax abatement request of Lear Corporation for personal property for a period of eight (8) years.

This recommendation is based on the following reasons:

- 1. It increases the economic vitality of industrial and high technology districts within the City of Rochester Hills
- 2. It retains and creates new employment and increases the tax base of the community
- 3. The abatement is consistent with the goals and guidelines of the City Council’s Tax Abatement Policy

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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