



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: 2010-0495 V6

TO: Mayor and City Council Members

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

DATE: September 18, 2013

SUBJECT: Request for Approval of an Industrial Facilities Exemption Certificate by Otto Bock Polyurethane Technologies, Inc. at 2923 Technology Drive for Personal Property

REQUEST:

Otto Bock Polyurethane Technologies, Inc. (Otto Bock) is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for new personal property for a period of six (6) years.

BACKGROUND:

City Council adopted a Tax Abatement Policy (the "Policy") in order to support new investment; building expansion or construction; reinvestment of companies in Rochester Hills or those considering relocating to the community. City Council's Policy states that tax abatements are an important retention and attraction tool.

In 2010, Otto Bock was looking for a facility to locate its North American production. City staff worked with the MEDC to prepare an incentive package that helped Otto Bock choose Rochester Hills as its ideal location. In December 2010, City Council approved a real and personal property tax abatement for the investment Otto Bock made in the building located at 2923 Technology Drive, along with machinery and equipment. Otto Bock is currently in the third year of that five-year tax abatement. This newly presented investment was not calculated at the time of the first abatement and cannot be added to the existing tax abatement as the two-year window of time to make those investments has closed. Otto Bock pledged to invest \$3,861,000 in the Rochester Hills operation and create 39 jobs. As reported in an update to City Council in June 2013, Otto Bock to-date has invested \$6,396,000 in the Rochester Hills facility and created 45 jobs.

Currently, Otto Bock is experiencing tremendous sales growth – especially in non-automotive sectors and is in need of expanding its North American production capabilities. As reported in the application, Otto Bock plans to purchase \$2,950,000 in additional machinery and equipment within the next two years. With this investment, the company anticipates creating an additional 17 jobs. Otto Bock anticipates filling the existing facility shortly and will need to look at options to continue to house these production operations in Rochester Hills. With this project, Otto Bock anticipates being able to maintain their operations in Rochester Hills and retain 42 jobs as well.

Otto Bock has applied for an IFT under the terms of the City Council's Tax Abatement Policy. An Industrial Development District (IDD) already existed at 2923 Technology Drive (parcel No. 15-30-477-012), therefore, the only item that City Council must consider today is the approval of an IFT.

Staff has evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and meets the criteria established by City Council.

Specifically, Otto Bock's project meets the following Policy goals:

1. The investment will increase the economic vitality of the industrial and high technology districts within the City of Rochester Hills.
2. The investment will create and retain permanent jobs at the Otto Bock facility.

Otto Bock's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. There are no outstanding taxing issues.
3. Permanent jobs will be created and retained as a result of this project.
4. There is a demonstrated need for financial assistance to encourage Otto Bock to retain its production and expansion in Rochester Hills.
5. The prospects for long-term growth are present, and
6. There is no current pending litigation against the City by the applicant or its agent.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. It is attached for your review. In summary, it indicates that the investment will generate \$70,860.00 in new taxes for all taxing authorities, combined, with the abatement, over six years. The City portion of the new taxes is \$25,005.00. If the abatement is not approved, some or all of these taxes may not be realized. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET), by 50%.

Based on the information presented and using the Tax Exemption Chart (see City Council Tax Abatement Policy), the applicant is eligible for a **6-year abatement of personal property**. Representatives of Otto Bock will make a presentation regarding its request prior to the Public Hearing. John Staran has reviewed the Development Agreement and found it to be in order...acceptable...something other than sufficient. Staff will secure a signed agreement once City Council has approved the IFT.

RECOMMENDATION:

Approve the request by Otto Bock for an Industrial Facilities Exemption Certificate for personal property for a period of six years 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 project is consistent with the goals and guidelines of the City Council's Tax Abatement Policy.

Thank you.

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