



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: 2023-0518

TO: Mayor and City Council Members

FROM: Sara Roediger, Director, Planning and Economic Development

DATE: November 3, 2023

SUBJECT: Transfer of IFEC Certificate 2016-178 for real property from Jenoptik Automotive North America to T.A. Systems, Inc.

REQUEST:

T.A. Systems, Inc is requesting that the City Council approve the transfer of Industrial Facilities Exemption Certificate number 2016-178 (IFT) for real property at 1500 W. Hamlin Road.

BACKGROUND:

In 2015, the City's economic development team was actively working to sell vacant land the City owned on Hamlin Road. The City was strategic in its efforts to attract a buyer as it needed to be one who would construct a Class-A facility, create jobs for the community and be a good neighbor to the surrounding properties and the trail. Jenoptik Automotive North America (Jenoptik) had operated in Rochester Hills for 10 years and in 2015, the company was looking to grow its North American sales and consolidate much of its technical/engineering operations into one campus. After meeting with Jenoptik leadership, the City Council found this opportunity to be a strong, yet competitive economic development project for the City of Rochester Hills, thus an incentive package was developed which included a real property tax abatement for the proposed new building.

In July 2016, Rochester Hills City Council approved the establishment of an Industrial Development District at parcel #70-15-21-376-011 (known at 1500 W. Hamlin Road) and a 12-year real property tax abatement for the construction of a 100,000 square foot facility with an anticipated capital investment of \$12,883,382. The final IFEC certificate issued by the State Tax Commission is scheduled to expire on December 30, 2029. Unfortunately, due to recent market conditions and acquisitions, Jenoptik has significantly reduced its Michigan operations and no longer needs this large facility.

T.A. Systems, Inc. specializes in designing and building custom automated systems. The company has operated on Rochester Industrial for 40 years. The company is experiencing significant growth that calls for them to identify real estate that can accommodate their short and long-term plans. Through TA Systems' real estate investment company, they closed on the purchase of 1500 W. Hamlin Road from Jenoptik on November 1, 2023.

The City has received an application for the transfer of the IFEC certificate from Jenoptik to T.A. Systems, Inc. The City has also received a letter from Jenoptik supporting this request to transfer the remaining 6 years of the certificate to T.A. Systems Inc and exercise the clawback provision of the development agreement. This letter allows City staff to expedite the revocation to the State Tax

Commission and begin processing the invoice for the clawback. The anticipated amount to be collected from Jenoptik is \$371,029.

T.A. Systems, Inc. will present to City Council, prior to the public hearing on November 13th, their plans for the property which will include an additional investment of \$750,000 in building improvements, \$250,000 in new equipment and fixtures, retaining the 120 jobs they currently have in Rochester Hills and creating 20 new additional jobs at this facility. They will demonstrate the role this incentive plays in their business decisions and share the nature of their operations and how they can continue to be a good corporate citizen to the community.

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, T.A. Systems' 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 T.A. Systems, Inc. facility that might, otherwise, have left the City.
3. The project will enhance the general attractiveness of the community.
4. The applicant is engaged in the field of advanced manufacturing.

T.A. Systems' 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 T.A. Systems, Inc. to expand its production capabilities 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.

As shown on the financial analysis, it was anticipated that under Jenoptik's ownership, the original value of the balance of the tax abatement would have generated \$655,176 in taxes for our taxing jurisdictions. **Due to the property sale's uncapping of the taxable value, it is now anticipated that with the approval of this transfer request, it will generate \$755,448 in taxes for our taxing jurisdictions over the next six years - a \$100,272 increase of what would have been received.** T.A. Systems, Inc. is not requesting an extension beyond what was approved in 2016.

Based on the information presented and using the Tax Exemption Chart (see City Council Tax Abatement Policy), **the applicant exceeds the eligible criteria for a 6-year abatement.** John Staran has reviewed the attached Development Agreement and found it to be in order.

RECOMMENDATION:

Approve the request by T.A. Systems, Inc. for the transfer of Industrial Facilities Exemption Certificate #2016-178 on real property at 1500 W. Hamlin Road until its expiration on December 30, 2029.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Clerk		

Contract Reviewed by City Attorney Yes N/A