



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2017-0146 V2

TO: Mayor and City Council Members

FROM: Sara Roediger, Director of Planning & Economic Development, ext. 2573

DATE: April 7, 2017

SUBJECT: Request for Industrial Facilities Exemption Certificate for RayEstates Rochester RCI LLC.

REQUEST:

RayEstates Rochester RCI LLC is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real property for a period of twelve 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.

A. Raymond is a fifth-generation, family-owned business with world headquarters in France. The company manufactures fastening and assembly solutions for various industries. It has operated various divisions in Rochester Hills for 30 years including A. Raymond Tinnerman Automotive, Rayconnect and Raynet. The global company has experienced tremendous growth in the U.S. and in total, employs close to 400 people across its divisions located in Rochester Hills. In recent years, the company has had to relocate various divisions including Rayce, A. Raymond Tinnerman Industrial, Raynet and A. Raymond North America into leased facilities. A. Raymond's plan is to construct its own complex to house these divisions and allow for future expansion. The company owns land in Rochester Hills, Michigan and Brunswick, Ohio; thus the City of Rochester Hills, MEDC and Oakland County representatives began working with A. Raymond's consultants to determine feasibility of retaining and growing these operations in Michigan.

As reported in the application, A. Raymond plans to spend \$5,344,792 to construct this new facility, and retain 63 existing jobs and create 22 new jobs in Rochester Hills. The company is considering a second phase to the campus, should the U.S. market continue to grow.

RayEstates Rochester RCI LLC has applied for an IFT under the terms of the City Council's Tax Abatement Policy. An Industrial Development District (IDD) must be established for the consideration and 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, A. Raymond'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 applicant will create and retain employment from existing eligible facilities that might, otherwise leave the City.
3. The project will enhance the general attractiveness of the community.
4. The applicant is engaged in the field of advanced manufacturing.

A. Raymond's project also meets the following policy guidelines:

1. The project is compliant 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 A. Raymond to locate its administration and engineering 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.
7. The abatement provides a required local match for a state incentive program.

City staff has completed a tax abatement financial analysis to determine the impact of the abatement per A. Raymond's request. It is attached for your review. ***In summary, it indicates that the investment will generate approximately \$345,576 combined in real property taxes for all jurisdictions, with the abatement, over the period of 12 years. The City portion of the taxes is \$63,816.*** If the abatement is not approved, some of these taxes may not be realized.

Based on the information presented and using the Tax Exemption Chart (see City Council Tax Abatement Policy), the applicant is eligible for a ***12-year abatement***. Representatives of A. Raymond will make a presentation regarding its request prior to the Public Hearing. John Staran has reviewed the attached Development Agreement and found it to be in order. Staff will secure a signed agreement once City Council has approved the IFT.

RECOMMENDATION:

Approve the request by RayEstates Rochester RCI LLC per the guidelines of Council's Tax Abatement Policy for an Industrial Facilities Exemption Certificate on real property for a period of 12 years.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		