



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

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**Legislative File No: 2008-0313 V2**

**TO:** Mayor and City Council Members

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

**DATE:** June 30, 2008

**SUBJECT:** Request for an Industrial Facilities Exemption Certificate by Hot Melt Technologies for Real and Personal Property

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**REQUEST:**

Hot Melt Technologies, Inc. is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real and personal property, to be located at 1665 W. Hamlin Road, also know as Unit 3 of the Hamlin Industrial Condominium for a period of 12 years.

**BACKGROUND:**

Hot Melt Technologies, a leader in the development of hot melt adhesive applicators and technologies, has been located in Rochester Hills since its formation in 1981. Hot Melt is located in a leased facility at 1723 W. Hamlin Road in the City's SmartZone.

Hot Melt Technologies, Inc., manufactures manual and automated hot melt adhesive dispensing equipment, heated hoses, and Benchmark hot melt adhesives. Its products are utilized in industrial product assembly operations: appliance, bookbinding, converting, filter, foundry, mattress manufacturing, packaging, woodworking, furniture, automotive components, electronics, foam converting, metal building and more. Its glue product is environmentally friendly.

The company's facility houses its headquarters, research and development and engineering centers, and assembly and warehousing operations. It presently employs 30 people. With its lease expiring at the end of 2009, and with a need for an expansion, Hot Melt has been seeking locations in and out of Rochester Hills. It has been working with the City's economic development staff since 2007 to identify locations for construction of the facility. It also is considering land in nearby Shelby Township.

The project includes the construction of a 27,750-square-foot facility behind the recently completed Deborah's Stage Door building. The facility is estimated to cost \$1,690,618 to construct, and the project also includes the acquisition of \$573,458 in new personal property, largely furniture and fixtures, and computer equipment. Total investment is estimated to be \$2,264,076.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. Based on the information presented and using the Tax Exemption Chart (Exhibit C), the applicant is eligible for a *9-year abatement of real and eligible personal property*.

In summary, the analysis indicates that the investment will generate \$399,796 in new real property taxes and \$14,752 in new personal property taxes for all taxing authorities combined **without the abatement**

over 9 years. The City portion of new taxes combined is \$89,017. 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, by **50%**. Therefore, the IFT, **if approved**, will generate \$232,010 in combined new real and personal property taxes for all jurisdictions. The City portion of new taxes would be \$44,509 over the 9-year period.

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

Specifically, Hot Melt'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 30 existing employees and creates 5 new jobs within two years of completion of the facility.
3. **To assist in the rehabilitation of older facilities and/or expansions of existing industrial or high technology facilities** – This project will result in the construction of a 27,750-square-foot building and investment in new personal property, together totaling \$2.26-million, and will be located in the LDFA District and Rochester Hills SmartZone.

Hot Melt's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan
2. No outstanding taxes are owed by the applicant
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 – Hot Melt also is considering a site in Shelby Twp.
6. The applicant is an equal opportunity employer
7. The prospects for long-term growth are present – a larger facility will allow Hot Melt to continue its growth
8. There is no current pending litigation against the City by the applicant or its agent

Representatives of Hot Melt Technologies will make a presentation regarding its request prior to the Public Hearing.

### **RECOMMENDATION:**

Approve the tax abatement request of Hot Melt Technologies for a period of nine (9) years after completion of the building's construction and up to two years during the construction period.

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

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**RESOLUTION**

**NEXT AGENDA ITEM**

**RETURN TO AGENDA**

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<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		

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