



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

**1000 Rochester Hills Dr.  
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**Legislative File No: 2008-0223 V4**

**TO:** Mayor and City Council Members  
**FROM:** Ed Anzek, Planning & Development, ext. 2572  
**DATE:** September 16, 2008  
**SUBJECT:** Amendment to Raval USA Development Agreement

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**REQUEST:**

To amend the Development Agreement between Raval USA and the City of Rochester Hills

**BACKGROUND:**

On June 9, 2008, City Council approved a tax abatement application by Raval USA for equipment it is proposing to purchase to support its operation. The company has completed the purchase of a vacant building on Northfield Dr. and has been significantly updating the facility and its parking lot. The abatement was approved for eight (8) years. In the application, Raval was proposing to invest \$5,756,881 and create 26 jobs within two years of approval.

In the Resolution approving the abatement, City Council also approved the Development Agreement, with the provision that it had to be reviewed by the City Attorney "as to form."

Raval USA has recently contacted the City and is requesting that the Development Agreement and/or tax abatement be modified in a substantial manner. It indicates that it lost a large contract and will not be able to fulfill all of the obligations that it has pledged within the time frame allotted. Specifically, it has indicated that it can only agree to invest at least \$2.5-million in equipment within the next two years. The balance of its initial investment it would pledge to make within five years. Similarly, it pledges to create at least 18 jobs within the first two years of its project, and the balance within five years.

These changes, in my estimation, substantially alter the terms in the approved Development Agreement. However, they do not impact the number of years for which the company is eligible for abatement based on City Council's Tax Abatement Policy. Therefore, the Development Agreement has been revised to indicate the proposed changes.

**RECOMMENDATION:**

Approve the amended Development Agreement based on the following reasons:

1. The company has made a good faith effort to invest in the community, including acquiring the subject building and completing needed renovations
2. Market conditions are impacting many companies, creating uncertainties, and making it difficult for businesses to accurately forecast growth projections

3. Raval USA is still willing to commit to its initial job creation and investment, albeit over a longer period of time
4. The balance of the investment in equipment that occurs beyond the second year of the project will not be eligible for abatement and, therefore, will generate more taxes to the taxing authorities than originally estimated.

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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>		