



**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: 2008-0453

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning & Development, ext. 2572
DATE: August 29, 2008
SUBJECT: Tax Abatement Policy Discussion

REQUEST:

To hold a discussion regarding City Council's Tax Abatement Policy.

BACKGROUND:

City Council last updated its Tax Abatement Policy in 2004. Since then, 11 abatements have been granted by City Council, including three in 2008. One of the 11 abatements was terminated by City Council last year when Avon Gear Co. relocated to Shelby Township, and all of its abated taxes have been repaid to the City. This leaves ten existing abatements, of which the three approved by City Council in 2008 still have to be approved by the State Tax Commission. One of the existing abatements, Tesla Motors, is scheduled to expire in 2009.

To effectively evaluate the City Council's current policy, the City's economic development staff conducted research on the use of abatements by nine communities in metro Detroit. The results of this research are provided in the *Community Survey* attachment.

The attached *Incentives Report* evaluates the performance of companies and impact to the community from approved abatements. There are seven active abatements: American Axle, Bernal, Inc., Energy Conversion Devices, Formfab, Inc., Ovonyx, Inc., Skybird Products and Tesla Motors. Among the seven abatements, Formfab, Skybird Products and Tesla Motors have completed their two-year investment and job creation cycle. The other four companies, however, still have one year remaining in which to complete pledged investment and job creation. Therefore, the results shown in the *Incentives Report* are partial. Secondly, the tax data for 2008 is incomplete because the tax collection for some taxing jurisdictions, including the City, occurs in the Winter bill.

The economic development staff has provided a draft revised Tax Abatement Policy for discussion. Within the document, areas that have been modified are shaded in green. In general terms, very few changes are recommended. A summarization of the changes are as follows:

1. Section 3: Millage Rates were updated to 2007 rates
2. A paragraph in Section 3 was amended, deleting a requirement that personal property abatements could only be approved for projects that are supported by state incentives, unless City Council waives the requirement. City Council chose to waive the requirement in every case where it was applicable. So that sentence was deleted.
3. Two of the criteria used to review applications under Section 7 were removed because they were deemed to be unnecessary. They were:

- a. The applicant has an Affirmative Action Program
 - b. The new investment will promote community health, safety and welfare
4. A *Policy Statement* was added. The Policy Statement will serve as City Council’s public position on the use of tax abatement and, once approved, will appear in the economic development section of the Website.
 5. The most significant changes to the Policy occur in the matrix’ (charts) which are used to determine the number of years for which an applicant is eligible. There are two charts: *2008 Tax Exemption chart for Real Property* and the *2008 Smart Investment Chart for Personal Property*. The old charts for each and revised charts are attached so that you can compare how they were adjusted. In general terms, the amount of investment and requirements for number of jobs retained or created has been increased overall. This will have the effect of shortening the number of years for which some companies will be eligible.

The economic development staff looks forward to discussing this issue and its proposed changes to the Tax Abatement Policy at the City Council meeting.

RECOMMENDATION:

None at this time.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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