



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

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**Legislative File No: 2007-0468 V2**

**TO:** Mayor and City Council Members

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

**DATE:** December 18, 2006

**SUBJECT:** Request for an Industrial Facilities Exemption Certificate by FormFab, LLC for Real and Personal Property

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**REQUEST:**

FormFab, LLC is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for real and personal property, at 3072 Research Dr. for a period of 12 years.

**BACKGROUND:**

City Council amended its Tax Abatement Policy (the "Policy") in 2005 in order to consider new investment, building expansion or construction, and reinvestment of companies in Rochester Hills or those considering relocating to the community. This decision was made, in part, in acknowledgement of the effects of globalization and increased competition both locally and abroad. It allows City Council to judiciously use tax abatements to support and strengthen companies that are located or locating in the community, and to increase their competitiveness in the marketplace. City Council's Policy states that tax abatements are an important retention and attraction tool.

FormFab, LLC has applied for an IFT under terms of the City Council's Policy. It is proposing to acquire a speculative building that is in core and shell for \$783,000, complete the build-out of the interior of the building at an estimated cost of \$267,000, and acquire \$104,900 in personal property. In addition, it will be transferring an unknown quantity and value of existing equipment into the community, placing it on the ad valorem tax rolls. The total projected investment, not including transferred equipment value, is \$1,154,900. In addition, this investment will result in the relocation of 15 jobs to the community and at least 5 new positions within two years of project completion. In its application, it is requesting an abatement of this real and personal property over a 12-year period.

FormFab, LLC was established in 1998 to supply the automotive tubing industry with inspection fixtures that inspect tube contours. Approximately one year later it expanded its capabilities to include production of developmental prototypes to the Automotive Tubing Industry. It has grown steadily from its initial one employee in 1998, having outgrown facilities in nearby Auburn Hills twice. FormFab, LLC has averaged 20% growth in each of the past four years. It became interested in the building at 3072 Research Dr. because of its desire to own rather than lease. The building also affords it the opportunity for future growth.

City staff completed a financial analysis to determine the impact of the abatement. If City Council approves a resolution stating that the building is "speculative" then the abatement will apply to the core and shell of the building and the improvements. Secondly, the transferred equipment is already on the

State of Michigan tax rolls and is not eligible for abatement. The value of the equipment, however, is considered in total investment because it will generate new taxes in Rochester Hills.

A separate analysis has been completed for the personal property portion of the abatement. Please recall that the new Michigan Business Tax has exempted 100% of the tax liability for personal property subject to the 6-Mill State Education Tax and 18-Mill School Operating Tax. This simply means that 24 mills of a total 50.8991 mill levy in the Avondale School District is completely exempt from taxation for personal property.

Based on the information presented and using the Tax Exemption Chart (Exhibit C), the applicant is eligible for a five (5)-year abatement on eligible real and personal property.

In summary, the combined results of both analyses indicates that the investment will generate \$127,502 in new taxes for all taxing authorities combined **without the abatement** over five years. The City portion of new taxes is \$28,261. 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%**. The applicant can request that the SET be abated, but it requires the approval of the Michigan Economic Development Corp. Therefore, the IFT, **if approved**, will generate \$63,751 in new taxes for all jurisdictions, excluding the SET. The City portion of new taxes would be \$14,131 over the five-year period.

Finally, it's important to note that FormFab, LLC completed the purchase of the building on July 23, 2007. It began constructing the improvements shortly after the City received the request to establish the Industrial Development District, which occurred on May 29, 2007.

The City's Tax Abatement Review Committee evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and generally meets the criteria established by City Council.

Specifically, FormFab LLC'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 LDFA, and brings 20 to 25 new jobs to the community.
2. **To assist in the rehabilitation of older facilities and/or expansions of existing industrial or high technology facilities** – This project completes the construction of a speculative building first constructed in 2004 and never occupied.

FormFab LLC'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 – FormFab is a growing business that will be owning real estate for the first time
6. The applicant is an equal opportunity employer
7. The new investment promotes community health and safety by completing the buildout of a vacant, unfinished building
8. The prospects for long-term growth are present – even after this investment, the company will still have room at its facility for more employees and equipment
9. There is no current pending litigation against the City by the applicant or its agent

In summation, FormFab, LLC's proposed investment of \$1,154,900 in real property improvements and new personal property clearly is an important and strategic purchase aimed to strengthen the company's competitive position by providing it room for growth and also transfers new employment to Rochester Hills, and creates additional new jobs in the near future.

Representatives of FormFab, LLC will make a presentation regarding its request prior to the Public Hearing.

**RECOMMENDATION:**

Approve the request by FormFab, LLC, for an Industrial Facilities Exemption Certificate for **real and personal property** for a period of five years based on the following reasons:

1. The IFT will generate new taxes to the taxing authorities, including Rochester Hills
2. The IFT will transfer jobs and create new employment in Rochester Hills
3. The IFT, considered together with the aggregate amount of industrial facilities exemption certificates previously granted and currently in force, does not have the effect of substantially impeding the operation of the City of Rochester Hills or impairing the financial soundness of a taxing unit that levies an ad valorem property tax in the City
4. The facility is located in an Industrial Development District, which was established on August 8, 2007
5. The commencement of the project has not occurred prior to the City's receipt of a request to establish the Industrial Development District
6. The project is consistent with the goals and objectives of the City Council's Tax Abatement Policy and generally meets the criteria in the Policy

**RESOLUTION**

**NEXT AGENDA ITEM**

**RETURN TO AGENDA**

| <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> |                  |             |

