



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

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**Legislative File No: 2007-0372**

**TO:** Mayor and City Council Members

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

**DATE:** May 25, 2007

**SUBJECT:** Presentation by Maple Mold Technologies Regarding its Request for a Recovery Zone Under Public Act 376 of 1996

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**REQUEST:**

Maple Mold Technologies is seeking to make a presentation regarding its written request for an authorizing letter of support from the City of Rochester Hills consenting to the establishment of a Recovery Zone, under Public Act 376 of 1996, Section 125.2688d, the Renaissance Zone Act, for its parcel at 1985 Northfield Dr.

**BACKGROUND:**

Maple Mold Technologies has been operating at 1985 Northfield Dr. in Rochester Hills since 1992. It serves a variety of industries, but the majority of its business is automotive. Maple Mold is a tool and die manufacturer that employs 15 people. It filed a formal request for a resolution of support from the Rochester Hills City Council on May 24<sup>th</sup>. Maple Mold is requesting that City Council consent to the establishment of a Recovery Zone for its parcel of property at 1985 Northfield Dr. All real and personal property taxes in a Recovery Zone are foregone by taxing jurisdictions, and the local municipality makes the determination on behalf of all.

The legislature drafted an amendment to Public Act 376 of 1996, which was passed in 2004 and further amended in 2005, creating Tool and Die Renaissance Recovery Zones (“recovery zone”). The program seeks to provide incentives to support up to 25 collaborative organizations consisting of tool and die companies, trade associations and service providers. The principal purpose of the program is to support and strengthen tool and die companies located in the State of Michigan against global competition. Unlike traditional economic development programs, a recovery zone is not a defined area. The Michigan Economic Development Corporation (MEDC) approves recovery zones after one or more tool and die companies form a collaborative organization, sign a qualifying collaborative agreement and submit a detailed application. An important condition in the application process is that companies receive an authorizing resolution of support from their local municipality consenting to the establishment of a Recovery Zone. In the resolution, the municipality agrees to forego existing and future tax obligations, both real and personal, from one to 15 years, subject to the approval of the consortium by the MEDC. There is no formal application process, and public hearings are not required. Companies make their request for a resolution of support in writing.

The MEDC established 23 Tool & Die Recovery Zones from 2004 through 2006. The MEDC may establish up to an additional 2 recovery zones and the deadline for this year’s consideration is September 12<sup>th</sup>. To qualify, companies must not have more than 50 employees and fall under one of four codes

under the North American industrial classification system. Further, a recovery zone shall have duration of renaissance zone status for a period not to exceed 15 years. Companies may also join existing consortiums, but there is a cap of 20 members per consortium.

There are many benefits for a company that is part of a recovery zone. First, belonging to a collaborative provides significant benefit, allowing companies to work together to attract business and fulfill contracts. Companies receive a tax credit against the Michigan Single Business Tax for business activity attributable to the recovery zone. Companies that have received resolutions from their local municipality do not pay real or personal property taxes for a period of 1-15 years. Taxes for debt obligations, however, cannot be exempted. In addition, local schools, intermediate school districts, community colleges and public library exempted taxes are reimbursed by the State Department of Treasury. Only County and municipal taxes are not reimbursed. Further, the company is not required to create jobs or invest new dollars in equipment or facilities. The tax exemption phases out over the final three years in 25% increments.

The goal of the program is to strengthen participating companies so that when they emerge, they are better able to compete globally.

Maple Mold is requesting an eight-year tax exemption from the City of Rochester Hills. It has joined a newly forming collaborative consisting of 14 members. Thus far, four (4) members have received approvals from their local councils or commissions for tax exemption under the program for 15 years. The collaborative intends to apply for a recovery zone this year.

A financial analysis has been completed to assess the impact of the exemption on the effected taxing jurisdictions. It indicates that total projected tax obligation over the eight year period is \$338,413. Debt mills cannot be abated, and, as stated previously, the abatement phases out over the final three years. Therefore, Maple Mold will pay an estimated \$104,226 in taxes to all jurisdictions over the exemption period. This results in a tax savings to the company of \$234,187. In addition, school operating mills, intermediate school district, community college and library mills all are reimbursed to those jurisdictions annually by the State Education Fund, making them whole. The impact to Rochester Hills is lost revenue of \$50,020 and new revenue of \$14,513 over the eight-year exemption period. The average annual loss in revenue to the City is about \$7,000 a year during the first six years of the exemption.

Representatives from Maple Mold Technologies wish to make a presentation at the Workshop Meeting of June 6<sup>th</sup>, 2007.

Maple Mold has provided a summary of its 2006 tax obligation to show how the exemption would apply to all taxing jurisdictions. It also has provided a list of the members who have joined the consortium, which has yet to be named. Further, it also has provided a list of all companies who have joined Recovery Zones in Michigan and the length of the exemptions they received from their local municipalities.

The Rochester Hills City Council approved a recovery zone exemption of five years for Avon Broach in 2005. The abatement went into effect in 2007.

**RECOMMENDATION:**

None at this time.

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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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