



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

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Legislative File No: 2005-0500 V3

TO: Mayor and City Council Members
FROM: Ed Anzek, Director, Planning & Development Department, ext. 2572
DATE: November 10, 2008
SUBJECT: Request for Extension of Tax Exemption by Avon Broach

REQUEST:

To extend an existing tax exemption for a period of five (5) years under the Tool & Die Renaissance Recovery Zone Act for Avon Broach.

BACKGROUND:

In 2006, City Council approved a five-year tax exemption for Avon Broach under the Tool & Die Renaissance Recovery Zone Act. It was the first time that City Council considered a request under Public Act 376. In 2006, it approved a request by Maple Mold Technologies under the same Act for a period of ten years.

The tax exemption will begin phasing out by 25% increments in 2009. PA 376 allows a company previously approved to request an extension prior to the beginning of a phase out. To do so, the local community would pass a resolution indicating the additional years that it is willing to grant. The Michigan Strategic Fund Board must then also approve the extension.

Avon Broach has submitted a written request and is seeking an extension of five-years, not including the three-year phase out period. It indicates that this extension will be consistent with the length of exemptions other companies in its collaborative have received from their local communities. If granted, the total exemption period from original approval would be ten years.

The exemption is anticipated to reduce City revenues by \$34,555 over the proposed eight-year exemption, including the final three years in which revenue is phased in. The company, however, will continue to pay debt and library millage during the exemption period.

A representative of Avon Broach will be in attendance at the Council meeting to make a brief presentation and answer questions.

RECOMMENDATION:

Approve an extension of five years, giving the company a total of ten years under the program.

This recommendation is based on the following reasons:

1. The program appears to be having a positive impact on the company's ability to be competitive and retool in difficult economic times

2. A 10-year exemption is consistent with the length of exemptions of many of the members of the collaborative to which Avon Broach belongs
3. A 10-year exemption is consistent with the length of exemption granted to Maple Mold Technologies in 2007

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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