



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

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**Legislative File No: 2009-0055**

**TO:** Mayor and City Council Members  
**FROM:** Ed Anzek, Planning and Development Department, ext. 2572  
**DATE:** January 30, 2009  
**SUBJECT:** Energy Conversion Devices Alternative Energy Tax Exemption

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**REQUEST:**

To consider opting out of a tax exemption of personal property acquired in 2008 by Energy Conversion Devices (ECD), a certified alternative energy technology business under Public Act 549, of 2002.

**BACKGROUND:**

On January 13, 2006, the City Assessor's office received a notice from the Michigan NextEnergy Authority (MNEA) that ECD had received certification from the MNEA Board on December 20, 2005 as an Alternative energy technology business, under Public Act 549, of 2002. A company certified by the MNEA Board is eligible for full tax exemption of new personal property acquired in the year in which it is certified and, possibly, future years. The City received notice on January 13, 2009 that the MNEA Board had certified personal property acquired by ECD in 2008 as alternative energy property. Therefore, the property is eligible for full exemption. The municipality, on behalf of other local taxing jurisdictions (Oakland County, Oakland Community College, and the Intermediate School District), has sixty -(60) days in which it can-opt out of the exemption. Likewise, the local school district also has sixty -(60) days in which it can-opt out. *Opt-out means that the City and the jurisdictions it represents in this instance are **choosing to collect the taxes** generated by the investment.* The exemption expires on January 1, 2013.

The letter from MNEA, its Resolution certifying ECD as an alternative energy technology business, and a list of equipment subject to the exemption are provided as attachments. If City Council takes no action, the exemption will be initiated at the end of the 60-day opt-out period.

The equipment that has been certified as eligible for the exemption totals \$228,768 in true cash value. An exemption analysis indicating the impact of exempted revenues to all local jurisdictions is attached as Exhibit C. It is estimated that the exemption will abate an estimated \$7,366 from local jurisdictions, excluding the school district, during the life of the exemption. The City portion is \$3,258.

ECD is a global leader in the research and development of alternative energies. It has been headquartered in Rochester Hills since 2002. Its sister company, Ovonic Battery Company, also is located in Rochester Hills.

The State of Michigan adopted Public Act 549, of 2002, and established the MNEA as a means to promote itself as the global leader in the development of alternative energies. It established a tax-free zone in Detroit, near Wayne State University, provided grants to three local colleges and universities to

develop alternative energy curriculum, and began certifying companies as a means to incent the growth of the industry and support companies engaged in its development.

This is the fifth such request for an ECD energy exemption received by City Council over the past five years. As a certified alternative energy technology business, ECD need only submit its list of newly acquired personal property to the MNEA annually for consideration. ECD does not directly contact the City in this process. Instead, the City receives notice from the MNEA, which certifies that the purchased equipment is eligible. City Council opted out of two of the four previous exemption requests, meaning that it chose to collect taxes on the equipment.

Finally, ECD's leases expire in 2010. Given the prominence of ECD and its subsidiaries in the global market and the benefit that Rochester Hills receives by being the locale of its headquarters, this company is an important retention target. Further, alternative energy is one of the target industries in the City's economic development strategy. The State of Michigan and Oakland County also focus on this industry as a means to diversify the state's economy. The MNEA and exemption program was put in place to support the growth of this industry and investment in research and development. The significant expansion of ECD subsidiary Uni-Solar in Orion Township and Greenville, Michigan is evidence that the program is working.

**RECOMMENDATION:**

Approve the exemption (do not opt out) for the following reasons:

1. ECD is an important company in the development of alternative energy technologies and a target industry in the City's Economic Development Strategy
2. The association of the Rochester Hills name to ECD provides an important means of promoting the community and region, as well as supporting the economic development strategy of the State of Michigan and Michigan Economic Development Corp.
3. ECD employs 189 scientists, engineers and administrative personnel in Rochester Hills and is one of the community's largest employers
4. ECD has been certified by the Michigan NextEnergy Authority as an alternative energy technology business under Public Act 593 of 2002 and thus eligible for tax exemption
5. The leases on three of the four ECD and subsidiary buildings is scheduled to expire in 2010, and it is an important retention target
6. The exemption of the alternative energy personal property will not impede the City's ability to provide service or have a detrimental impact on its fiscal stability

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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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