



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

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**Legislative File No: 2011-0042**

**TO:** Mayor and City Council Members  
**FROM:** Ed Anzek, Planning and Development Department, ext. 2572  
**DATE:** February 18, 2011  
**SUBJECT:** Ovonic Battery Company Alternative Energy Tax Exemption

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**REQUEST:**

To consider opting in or out of a tax exemption of personal property acquired in 2010 by Ovonic Battery Company (“Ovonic”), a certified alternative energy technology business under Public Act 549, of 2002.

**BACKGROUND:**

This is the 5<sup>th</sup> time that a request to consider a full tax exemption for Ovonic has been received. Ovonic is a division of Energy Conversion Devices, a parent company that has been based in Rochester Hills since 2002. Council’s first consideration of Opting-In or Opting-Out dates back to 2006. Succinctly stated: Opting-In supports the Tax Exemption and Opting-Out does not and the taxes are paid.

The City received notice on January 20, 2011 that the Michigan NextEnergy Board had certified personal property acquired by Ovonic in 2010 as alternative energy property. As such, the equipment (personal 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. *Again, 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 State NextEnergy program and all exemptions granted expire on January 1, 2013.

The letter from MNEA, its Resolution certifying Ovonic 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 automatically initiated at the end of the 60-day opt-out period.

The equipment that has been certified as eligible for the exemption totals \$180,000 in equipment cost; \$160,200 true cash value for the 2011 assessment year. A financial analysis indicating the impact of exempted revenues to all local jurisdictions is attached as Exhibit B. It is estimated that the exemption will abate an estimated \$2,881 from local jurisdictions, excluding the school district, over the life of the exemption. The City portion is \$1,441.

In 2010, Energy Conversion Devices and all its subsidiaries located in Rochester Hills, including Ovonic Battery Company paid a total of \$371,771 in combined taxes for all jurisdictions. This equates to about \$75,000 to the City. Attached is a table showing the 4 different locations of ECD operations and the taxes paid for 2010.

As a point of information: In recent action the City was notified that Ovonyx, another division of ECD, was relocating to Wayne State University from their site on Waterview Drive. Ovonyx requested to be released from taxes abated as they had not met the terms of the agreement (“clawback” provisions). That request was not accepted by Council. Ovonyx has paid in full their exempted taxes. On February 14, 2011; the City received a check in the amount of \$49,127. Disbursement to the taxing authorities will be made by the Treasurer in the near future.

**RECOMMENDATION:**

Approve the exemption (by opting “in” or take no action) for the following reasons:

1. Ovonic is an important company in the development of alternative energy and battery technologies and a target industry in the City’s Economic Development Strategy
2. The association of the Rochester Hills name to ECD/Ovonic provides an important means of promoting the community and region, as well as supporting the economic development strategy of the State of Michigan.
3. ECD/ Ovonic combined employ 170 scientists, engineers and administrative personnel in Rochester Hills and is one of the community’s larger employers
4. Ovonic 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. Ovonic and its parent company, ECD and other subsidiaries, paid a combined amount of \$371,771 in real and personal property taxes to all taxing jurisdictions including the City of Rochester Hills in 2010. Rochester Hills’ share is about\$75,000.
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. The exemption is for 2 years as the program sunsets on January 1, 2013. Total dollars exempted to the City for the remaining 2 years are estimated to be \$1,440 (\$720/year average).
7. Ovonyx paid their “clawback” taxes of \$49, 127 (about \$10,000 to the city).

Thank you.

**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>		