



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

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Legislative File No: 2009-0214 V2

TO: Mayor and City Council Members

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

DATE: June 11, 2009

SUBJECT: Request for an Industrial Facilities Exemption Certificate by Webasto Roof Systems, Inc. for Personal Property

REQUEST:

Webasto Roof Systems, Inc. (Webasto) is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property, to be located at 2700 Product Dr. for a period of eight (8) years.

BACKGROUND:

The City received a request to establish an IDD on May 12, 2009 from Webasto for a building it owns located at 2700 Product Dr. The City also received an application for an industrial facilities exemption certificate from Webasto for the same property.

Webasto operates three facilities in Rochester Hills, which includes its headquarters, a production plant and a technical center. It also operates: a stamping facility in Livonia; aftermarket plant in Fenton, Michigan; and has two plants in Lexington, Kentucky. As a manufacturer of roof systems, including sunroofs, the company is experiencing reductions in volume and significantly lower revenues due to the economy and shutdown of automotive plants by its customers, who include virtually all of the automotive Original Equipment Manufacturers. Due to these factors, it made the decision to eliminate one of its plants. It was considering closing either the Rochester Plant or one of those located in Kentucky. Webasto received incentive packages from each state, which is an important component of its evaluation process. The State of Michigan is offering a Standard MEGA and a Retention MEGA, along with other incentives. Either a Standard or Retention MEGA requires a match by the local community in which the facility is located. Typically, the match is generated by local tax abatement.

The MEGA Board approved the State's incentives at its June 16 meeting, which is valued at \$1,700,651.

In its application, Webasto is seeking an eight-year abatement. It proposes to relocate manufacturing equipment from Kentucky to its Rochester Hills plant, which is valued at \$3,360,000. In addition, it will be retaining 207 local workers that could have been relocated to Kentucky and transferring or creating 46 new jobs over the next two years and at least a total of 50 jobs within five years.

Webasto is the largest North American supplier of sunroof and panorama roof systems to automotive Original Equipment Manufacturers. It has been located in Rochester Hills since 1984 and currently employs 286 people among its three buildings, which are located in the TAN Industrial Park at Crooks Road and M-59.

City staff completed a Tax Abatement Analysis to determine the impact of the abatement. Based on the information presented and using the Smart Investment Chart (see City Council Tax Abatement Policy), the applicant is eligible for an *8-year abatement of personal property*.

In summary, the analysis indicates that the investment will generate \$194,886 in new personal property taxes for all taxing authorities combined **without the abatement** over eight years. The City portion of new taxes combined is \$80,389. 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, including the Intermediate School District, by **50%**. Therefore, the IFT, **if approved**, will generate \$97,443 in new personal property taxes for all jurisdictions. The City portion of new taxes would be \$40,194 over the eight-year period.

Webasto's application is consistent with the goals and objectives in the City Council's *Tax Abatement Policy* and generally meets established criteria.

Specifically, Webasto'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 City.
2. **To create and retain employment from existing eligible facilities that might, otherwise, leave the City** – The project retains 207 existing employees, and transfers or creates at least 46 new jobs within two years of project completion, and up to a total of 50 jobs over a five-year period.

Webasto's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. The applicant owes no outstanding taxes.
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 – Without the incentive, a significant number of jobs would be transferred to Kentucky, drastically reducing Webasto's workforce in Rochester Hills and Michigan.
6. The prospects for long-term growth are present – the project helps to reduce Webasto's facility costs and strengthens its presence in Rochester Hills.
7. There is no current pending litigation against the City by the applicant or its agent.

Representatives of Webasto will make a presentation regarding its request prior to the Public Hearing.

RECOMMENDATION:

Approve the tax abatement request of Webasto for personal property for a period of eight (8) years.

This recommendation is based on the following reasons:

1. It increases the economic vitality of industrial and high technology districts within the City of Rochester Hills
2. It retains and creates new employment and increases the tax base of the community
3. The abatement is the local required match for a Standard MEGA and Retention MEGA