



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

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Legislative File No: 2011-0069 V2

TO: Mayor and City Council Members

FROM: Ed Anzek, Director of Planning and Economic Development, ext. 2572

DATE: February 18, 2011

SUBJECT: Request by WABCO North America, LLC for Tax Abatement for Personal Property

REQUEST:

WABCO North America, LLC is requesting that City Council approve a tax abatement for personal property, to be located at 2770 Research Dr., for a period of two (2) years.

BACKGROUND:

The City received a request for approval of an Industrial Facilities Exemption Certificate on February 28, 2011 from WABCO North America to establish a new division, WABCO Product Development Center, located at 2770 Research Drive. The new division will be co-locating with the current WABCO operation known as WABCO Vehicle Control Systems. The City granted a tax abatement for the current operation on July 12, 2010. This current operation deals with Electronic Module, Power Steering, Anti-Lock Braking, and Transmission Control Systems.

In their application, WABCO is seeking a two-year abatement for a \$700,000 investment in a production development center. The Michigan Economic Growth Authority has approved tax credits in support of the project and the abatement would serve as the City's match. In its MEGA application, WABCO indicated that the investment and jobs would be over a two-year period.

The new division is being created in order to meet the company's goal of growing its engineering capabilities in the United States. Supporting roles include IT/Data Systems and Software Engineering. Over the initial two years of the project, the Product Development Center will create up to 40 new jobs, invest \$650,000 in equipment, \$50,000 in improvements to the building, and pay an average weekly wage of \$1,538 (\$80,000 annually).

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 a 5 year abatement of personal property, but is only requesting two years, with future consideration of an extension up to six additional years should the company choose to transfer its operation to another facility in the community or remain at 2770 Research Dr.

The amount of tax that is projected to be abated over the 2 year period is \$3,686. Of that amount, \$1,513 would be city taxes. And as Council is aware; tax abatements are for 50% of the taxes due. The inverse is to say that the City will receive \$1,513 and total taxes to be paid over the 2 year period is \$3,686. A table has been prepared that provides the breakdown of the taxing jurisdictions. This table accounts for depreciation as well.

It is important to note that the 2 year request is due to the projection that the new division will out-grow the space available at 2770 Research Drive. The Product Development Center is projected to create over 100 jobs and invest over \$2,000,000 in new equipment in 5 years. With those projections our policy would support an 8-year abatement.

For more information regarding WABCO please see the company summary included as part of their application.

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

WABCO Product Development Center meets the following Policy goals:

1. It encourages development that will increase the economic vitality of the industrial and high technology districts and the project generates new revenue for the City.
2. To attract companies and facilities engaged in advanced manufacturing; advanced computing or other computer-related industries; life sciences or biotechnology; nanotechnology; alternative energy; or any high-technology activity that qualifies under Public Act 144 of 2000 – the project will result in the creation of 40 new jobs in the first two years of the project. The project is projected to create over 100 jobs in 5 years.

WABCO’s project 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. New and Permanent jobs will be created 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.
5. There is a demonstrated need for financial assistance – the incentive serves as the community’s match for a State of Michigan MEGA tax credit approved on February 15, 2011.
6. The prospects for long-term growth are present.

RECOMMENDATION:

Approve the tax abatement request of WABCO North America, LLC for personal property for a period of two years.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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