



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

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**Legislative File No: 2010-0447 V2**

**TO:** Mayor and City Council Members

**FROM:** Ed Anzek, Planning & Economic Development Department, Ext. 2572

**DATE:** November 8, 2010

**SUBJECT:** Consider a Tax Exemption for Bright Automotive under PA 328, Personal Property Tax Exemption

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**REQUEST:**

To consider granting a personal property tax exemption under PA 328 to Bright Automotive.

**BACKGROUND:**

Bright Automotive, a manufacturer of electric cars, is proposing to locate a technical center in Rochester Hills where it will employ as many as 204 people and invest \$12 million over a five-year period. It has applied to the State of Michigan for MEGA tax credits. The MEGA Board is scheduled to act on this request on November 17. As City Council knows, a MEGA requires a local match. Typically that local match is either PA 198 tax abatement or PA 328 tax exemption of personal property.

Bright Automotive is a start-up company that is backed by General Motors and has received funding from the federal government. It is designing an electric vehicle named the IDEA. In addition, Bright Automotive's services include offering battery packs, PHEV and EV vehicle conversions, hybrid system development consulting and alternative powertrain modeling simulations. The company was spun out of the Rocky Mountain Institute in 2009.

Bright Automotive conducted an extensive site search process in which it considered expanding in Indiana, the site of its current headquarters, or relocating to another state. Michigan was considered due to the burgeoning electric vehicle industry that is growing here. The technical and engineering expertise in Michigan is highly regarded and sought after by electric car designers and manufacturers. Bright Automotive focused its Michigan search in Pontiac, Auburn Hills and Rochester Hills and eventually settled on the former Chrysler Call Center facility on Hamlin Road and M-59.

The company is requesting a two-year PA 328 tax exemption for its new personal property. It intends to lease the building over a five-year period with two three-year extensions. The tax exemption would exempt all of its personal property for the first two years of the project. After the second year, the property goes on the ad valorem tax rolls at its current depreciated value.

An analysis has been conducted to determine the impact of the exemption. Based on the analysis, the exemption will result in \$107,903 in taxes paid to all jurisdictions during the five-year lease, not factoring in a lease extension. The City portion of taxes paid is \$44,309. Total taxes exempted during the first two years of the lease are \$128,126 for all jurisdictions and \$52,613 from the City.

The analysis does not factor in a planned investment of just under \$3 million expected to occur over the final three years of the initial lease which would not be impacted by the exemption.

In comparing standard tax abatement over a five-year period versus a two-year exemption, the Analysis shows that the exemption will cost the City \$4,152 and all jurisdictions combined about \$10,000 more in revenue. However, if the abatement were to be extended to a sixth year, it would cost the taxing jurisdictions more revenue than the exemption. Finally, it should be noted that the exemption does not apply to real property.

**RECOMMENDATION:**

Approve the exemption request of Bright Automotive for a period of two years for the following reasons:

1. The project is consistent with the goals of City Council’s Tax Abatement Policy
2. It generates up to 204 new jobs during the initial five-year lease term
3. It generates new taxes from a planned \$12 million investment in personal property
4. Bright Automotive will occupy a building that has been vacant for more than one year
5. Alternative energy is one of the target industries in the City’s Economic Development Strategy
6. The exemption is a required local match for a state of Michigan MEGA.

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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>		