



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2011-0331 V2

TO: Mayor and City Council Members

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

DATE: August 19, 2011

SUBJECT: Request for approval of an Industrial Facilities Exemption Certificate by Sunlogics, PLC for Personal Property only

REQUEST:

Sunlogics, PLC is requesting that City Council approve an Industrial Facilities Exemption Certificate (IFT) for personal property, owned by Sunlogics, PLC, only at 2910 Waterview Drive for a period of 8 years.

BACKGROUND:

City Council adopted a Tax Abatement Policy (the "Policy") in order to consider new investment, building expansion or construction and reinvestment of companies in Rochester Hills or those considering relocating to the community. City Council's Policy states that tax abatements are an important retention and attraction tool, and has granted 29 since the policy was adopted in 2005.

Sunlogics has applied for an IFT under the terms of the City Council's Policy. It is proposing to invest/acquire \$13,254,588 in new equipment in 2011 and 2012. In addition, this investment will result in the creation of up to 200 positions within two years. In its application, it is requesting an abatement of this personal property over an eight-year period. The eight-year abatement is supported in the policy for the job creation and dollar investment.

The company is in the process of acquiring this property as a means to fulfill new contracts with General Motors (GM) and increase productivity in solar energy solutions.

Sunlogics is a vertically-integrated global solar energy systems provider specializing in solar project development and installations, including rooftop, ground mount and canopy installations in Canada, the United States, Europe and China. Sunlogics, in collaboration with GM Ventures, developed a solar photovoltaic canopy and charging station for the Chevrolet Volt. GM recently announced an equity investment of \$7.5 million in Sunlogics PLC. The partnership will provide opportunity to the larger scale industrial solar projects that Sunlogics designs, manufactures and constructs. GM has three of the largest automotive rooftop solar power installations in the United States and will use Sunlogics to further improve its facilities with renewable energy. Sunlogics PLC also has a strategic relationship with Sunlogics Power Fund Management, Inc. and with other entities to own and operate solar projects developed by Sunlogics PLC.

Some of the investment funding will be used to establish the 134,000 square-foot corporate headquarters and manufacturing facility at 2910 Waterview Drive, creating 200 jobs. The approval

of this request will allow Rochester Hills to be competitive in its efforts to attract Sunlogics' global headquarters from California and manufacturing operations from New Jersey.

City Staff completed a financial analysis to determine the impact of the abatement. The current tax abatement policy limits personal property abatements to eight years; and the analysis assumes an eight-year abatement. It is attached for your review. In summary, it indicates that the investment will generate \$418,182 in new taxes for all taxing authorities, combined, with the abatement over eight years. The City portion of new taxes is \$142,187. If the abatement is not approved, some or all of these taxes may not be realized. If approved by City Council, an IFT reduces the tax levy for all taxing jurisdictions, except for the State Education Tax (SET), by 50%. Industrial personal property is exempted from 100% of the School Operating and State Education Tax per the Michigan Business Tax.

Staff has evaluated the application and has concluded that it is consistent with the goals and objectives in the Policy and meets the criteria established by City Council.

Specifically, Sunlogics'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 LDFA and increases employment by 200 positions, which will have a net positive impact on local retailers and potentially attract new residents to the community.
2. To create and retain employment from existing eligible facilities that might, otherwise, leave the City. The abatement will show the community's support of Sunlogics.
3. To assist in the rehabilitation of older facilities and/or expansion of existing industrial or high technology facilities. This project represents an expansion of new equipment and capabilities of Sunlogic and an upgrade to a new facility with new equipment, resulting in an even more competitive company.

Sunlogic's project also meets the following Policy guidelines:

1. The project is in compliance with the Rochester Hills Zoning Ordinance and Master Plan.
2. Permanent jobs will be created as a result of the project
3. 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
4. There is a demonstrated need for financial assistance, which will strengthen Sunlogic's ability to win additional contracts, resulting in a more competitive company
5. The applicant is an equal opportunity employer
6. The prospects for long-term growth are present
7. There is no current pending litigation against the City by the applicant or its agent

In summation, Sunlogics's proposed investment of \$13,254,588 in new personal property clearly is an important and strategic purchase aimed to strengthen the company's competitive position, and to add jobs.

Representatives of Sunlogics will make a presentation regarding its request prior to the Public Hearing. Public Act, 198, of 1974, as amended, requires that a decision be rendered within 60 days of receipt of the application. Due to State Tax Commission (STC) guidelines, the application must be approved by Council and submitted to the STC before October 31, 2011 in order to go into effect on December 31, 2011.

RECOMMENDATION:

Approve the request by Sunlogics for an Industrial Facilities Exemption Certificate for personal property only for a period of eight years based on the following reasons:

1. The IFT will generate new taxes to the taxing authorities, including Rochester Hills
2. The IFT will create new employment by Sunlogics in its Rochester Hills facility
3. The IFT, considered together with the aggregate amount of Industrial Facilities Exemption Certificates previously granted and currently in force, does not have the effect of substantially impeding the operation of the City of Rochester Hills or impairing the financial soundness of a taxing unit that levies an ad valorem property tax in the City
4. The facility is located in an Industrial Development District, which was established on August 29, 2011
5. The commencement of the project has not occurred prior to the approval of the IFT by the City Council of Rochester Hills
6. The project is consistent with the goals and objectives of the City Council's Tax Abatement Policy and generally meets the criteria in the Policy

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