



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

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Legislative File No: 2010-0495

TO: Mayor and City Council Members

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

DATE: November 8, 2010

SUBJECT: Schedule a Public Hearing to Consider the Request by Otto Bock Polyurethane Technologies Inc. for an Industrial Facilities Exemption Certificate

REQUEST:

That City Council schedule a Public Hearing for its Regular Meeting of December 13, 2010 to consider a request by Otto Bock Polyurethane Technologies Inc. for an industrial facilities exemption certificate, or tax abatement, for real and personal property improvements at 2923 Technology Dr.

BACKGROUND:

The City Council originally approved an IFT for Energy Conversion Devices for 2923 Technology Dr. on September 6, 2006 to complete the construction of new offices in a vacant building. The request was granted and ECD signed an eight-year lease and completed the construction. In 2008, due to a realignment of its business, ECD vacated the building and sub-leased it to Thyssen Krupp. City Council agreed to transfer the IFT to Thyssen Krupp.

In 2010, Thyssen Krupp plans to vacate the building with three years remaining on the lease and IFT. It asked the building owner to attempt to find another company to sub-lease its space. The building owner, Joel Nosanchuk, in partnership with the City, has attracted Otto Bock Polyurethane Technologies Inc. to backfill the space. In discussions with Otto Bock, it became clear that transferring the IFT was not the appropriate action and that a new IFT specific to its project makes more sense due to the fact that the company is proposing to significantly alter the office area for which the original tax abatement was approved.

Otto Bock is a German company proposing to establish its first automotive production facility in the United States. In the facility, it will be producing molded polyurethane parts for under-hood NVH (noise, vibration & harness) applications in the Automotive Industry. Parts production is scheduled to begin in the 3rd quarter of 2011. In the building, Otto Bock plans to conduct a thorough update to the office area, build a new laboratory in the shop, update the heating and ventilation and install numerous machines to mold polyurethane NVH parts. Total estimated investment over five years is \$12.25 million; however, the abatement only considers the first two years of investment, which is estimated to be \$3.4 million. In addition, 39 new jobs will be created in the first two years and up to 100 jobs over five years.

Otto Bock has applied for MEGA tax credits and will be appearing before the MEGA Board on December 14. The tax abatement of real and personal property was proposed by the City as a required local match.

Due to the extensive renovation of the office area, it is further suggested that on December 13, Council consider a resolution to request that the State Tax Commission terminate the original IFT. In addition, Thyssen Krupp's original lease is proposed to be dissolved with three years remaining due to the fact that Otto Bock is proposing a five-year lease with two five-year extensions.

RECOMMENDATION:

Schedule the Public Hearing for December 13, 2010.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

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