



CITY COUNCIL ACTION REPORT

June 4, 2007

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager-Finance/Administration
Brian Murphy, Assistant City Manager - Services
Nino Licari, City Assessor

SUBJECT: Public Hearing to consider granting an Industrial Facilities Exemption Certificate (IFEC) to Kostal of America, Inc., 350 Stephenson, Troy MI 48083-1103

Background:

- Kostal of America, Inc., is currently located in Novi. They are a family owned, German based company that specializes in the development and manufacture of technologically advanced electronic and electromechanical products. They intend to own and occupy the vacant 76,427 square foot building at 350 Stephenson, and use the facility for research and development.

Our requested local match is for an Industrial Facilities Exemption Certificate (IFEC) to be issued by the City of Troy. This is according to Public Act 198 of 1974 (as amended) and local City policy. As you will recall, this amounts to an approximate 50% reduction in personal property taxes that they would pay, over a twelve (12) year period (the total percent may be slightly higher or lower than 50%, depending on how much of the 6 mill State Education Tax the State levies).

Financial Considerations:

- The estimated amount of investment in personal property is \$2,854,500 for the project. Over a twelve (12) year life, the estimated total taxes are \$210,493.06, of which \$40,223.87 would be City taxes.

A 50% abatement amounts to a savings of \$105,246.53 in total taxes, of which \$20,111.93 would be saved on City taxes. This is the financial cost to all taxing authorities.

Legal Considerations:

- The application meets all requirements of Public Act 198 of 1974 (as amended), the Plant Rehabilitation and Industrial Development Districts legislation.

Policy Considerations:

- The application is in compliance with the newly amended tax abatement policy of the City Council of the City of Troy (Resolution #2006-06-238, attached).

City Council Goal II, "Retain and attract investment while encouraging redevelopment" is met with this expansion. The company will own and occupy an existing vacant 76,427 square foot building, and bring in high technology jobs for research and development at the facility.

Since both legal and policy considerations are met, staff would recommend establishing the District.

Options:

- City Council has the option of granting the Industrial Facilities Exemption Certificate for any period of one (1) to twelve (12) years, or not at all.

This is a well-established company, with many opportunities to expand, and staff recommends that the Exemption be granted for the full twelve (12) years.

F-5 Amending the Personal Property Tax Abatement for Manufacturing and Headquarter Companies

Resolution #2006-06-238

Moved by Beltramini

Seconded by Fleming

WHEREAS, The City of Troy has the economic objective of (a) increasing employment opportunities, (b) diversifying and stabilizing the industrial base of the community, (c) reducing economic obsolescence of the industrial base, (d) providing homogenous industrial areas, (e) encouraging industrial expansion, (f) providing for improved public facilities in industrial areas, and (g) encouraging attractive, viable industrial sites, and

WHEREAS, The Industrial Facilities Tax Act (P.A. 1974 No. 198), as amended, empowers cities to establish Industrial Development Districts (IDD) and to grant tax exemptions for certain industrial properties which meet certain criteria established by the Act;

THEREFORE, BE IT RESOLVED, By the City Council of the City of Troy, that the following criteria are to be met, applied or measured by the City Manager or his designees in the review of areas and locations to be considered for designation as Industrial Development Districts (IDD) by the City Council:

- 1) That the tax exemption shall not apply to real property except those building improvements which are uniquely required to support the personal property to be abated; and
- 2) That the tax exemption shall not apply to leasehold improvements or building improvements except those uniquely required to support personal property to be abated; and
- 3) That said abatement of taxes shall cease at such time as applicant fails to prove by factual evidence that such personal property is being used in compliance with the basic guidelines established above.
- 4) The applicant would document that they are Michigan Economic Growth Authority (MEGA) eligible, would be filling vacant Troy space, or will retain or expand the number of jobs in Troy.

BE IT FINALLY RESOLVED, That the term of abatement for any and all property meeting the aforementioned criteria **SHALL NOT** exceed 12 years, it being the **INTENT OF THE CITY COUNCIL TO APPROVE** various lengths of abatements to the extent provided by laws of the State of Michigan.

Yes: Fleming, Lambert, Schilling, Beltramini

No: Howrylak

Absent: Broomfield, Stine

MOTION CARRIED

**JOHN SCHWARTZ
ROYAL OAK PUBLIC SCHOOLS
1123 LEXINGTON
ROYAL OAK MI 48073-2499**

**CLARENCE E BRANTLEY
OAKLAND COMMUNITY COLLEGE
2480 OPDYKE
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**OAKLAND INTERMEDIATE SCHOOLS
2111 PONTIAC LAKE
WATERFORD MI 48328**

**PATRICK DOHANY
OAKLAND COUNTY PTA
1200 N TELEGRAPH Dept 479
PONTIAC MI 48341-0479**

**DAVID HIEBER
OAKLAND COUNTY EQUALIZATION
250 ELIZABETH LAKE RD 1000 W
PONTIAC MI 48341**

**KOSTAL OF AMERICA INC
25325 REGENCY DR
NOVI MI 48375**

AFFIDAVIT OF MAILING & PUBLISHING

State of Michigan

County of Oakland

City of Troy

RE: PUBLIC HEARING – City Council – Monday, June 4, 2007 at 7:30 PM –

To consider a Request from Kostal of America, Inc. for the establishment of an Industrial Facilities Exception Certificate (IFEC)

at the following Location – Troy Concept Center, Unit 3 – Parcel #88-

20-35-327-026 - Section 35

I hereby certify, that the attached notice was e-mailed to the Somerset Gazette Newspapers on Tuesday, May 15th, 2007 and mailed by first class mail to the attached list, on Wednesday, May 16th, 2007.

Barbara A. Pallotta, CMC
Deputy City Clerk

PUBLISHED: Monday, May 21, 2007

CITY OF TROY
PUBLIC HEARING

A Public Hearing will be held by and before the City Council of the City of Troy at City Hall, 500 W. Big Beaver, Troy, Michigan on Monday, June 4, 2007 at 7:30 P.M. to consider the request from Kostal of America, Inc., for the granting of an Industrial Facilities Exemption Certificate (IFEC) for a period not to exceed 12 years, beginning December 31, 2007, for personal property located at:

T2N, R11, E, of Section 35
OCCP #1418,
Troy Concept Center, Unit 3
Parcel # 88-20-35-327-026

You may express your comments regarding this matter by writing to this office, or by attending the Public Hearing.

Tonni L. Bartholomew, MMC
City Clerk

NOTICE: *Persons with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk by e-mail at clerk@ci.troy.mi.us or by calling (248) 524-3317 at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.*

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**KOSTAL OF AMERICA INC
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Barbara A Pallotta

From: Nino A Licari
Sent: Wednesday, May 09, 2007 2:18 PM
To: Barbara A Pallotta
Subject: Kostal

Barb,

As per our phone conversation today, here are the publication notices for the IFEC and IFT for Kostal, along with mailing labels. The announcement is May 14, and the publication should be as soon after as possible.

Thanks!



Memo IFEC
03.26.07.doc



Memo IDD
03.26.07.doc



LabelsKostal.doc

Nino Licari
City Assessor
248 524-3305