



CITY of NOVI CITY COUNCIL

**Agenda Item 3
December 18, 2017**

SUBJECT: Approval of Resolution authorizing application from Orotex Corporation for an Industrial Facilities Tax Exemption Certificate for new improvements of approximately 60,000 square foot addition to an existing facility located at 22475 Venture Drive and related Agreement concerning Industrial Facilities Tax Abatement.

SUBMITTING DEPARTMENT: City Assessor

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

Introduction and History

An application has been filed by Orotex Corporation (applicant) for an Industrial Facilities Tax Exception Certificate (IFEC) for real property and personal property to be located on parcel 50-22-26-378-005 at 22475 Venture Drive. The property's legal description is as follows:

T1N, R8E, SEC 26 HICKORY CORPORATE PARK LOTS 3 & 4, ALSO SLY 98.23 FT OF
LOT 5 9-8-92 FR 001, 002 & 401-007

The parcel of land is situated within the Orotex Corporation Industrial Development District, established on December 18, 2017. The request was submitted by the applicant on November 21, 2017.

The real property improvement investment is \$4,700,000 and the personal property investment is \$4,505,000, for a total investment of \$9,205,000.¹ The real property consists of real property improvements including a 60,000 square foot addition with related site improvements to an existing 59,946 square foot facility originally constructed in 1991. This investment will enable this property to be the company's North American hemisphere technical center.

The project proposed in this application would be eligible for consideration of an IFEC under the provision of the City's Property Tax Incentive Policy (Policy) and Public Act 198 and as identified as a *New Facility*. The above applied for real property and personal property improvements meet the City's Policy for both real property and personal property.

Because this is a new location for the applicant, this project will result in 82 jobs being retained at this facility. This new facility will result in an expected 48 new jobs created at this facility.² Granting this request will result in an increase in the tax base of the city and should bring increased economic benefits to the city and to other service oriented businesses.

Orotex is currently in the preliminary planning phase of preparing site plans for the City to review. City staff has met with their team to discuss a Concept Plan, but no formal submittal has yet been

¹ See attached listing.

² See included Supplemental Questions responding to the City's Policy.

made. Attached are some site renderings for City Council to review as a rough rendering of some very preliminary plans for the Orotex expansion.

Term of Abatement

The applicant is requesting a 2-year abatement, and has signed the City's incentive agreement which requires the additional two (2) years of business residence after the certificate expires.

Tax Delinquencies and Savings

To the best of staff's knowledge, there are no delinquent taxes owed by the applicant within the City of Novi.

If this abatement is granted for the two years request the potential real and personal property tax savings for the applicant will be approximately \$152,000, over the term of the certificate. Additional real and personal property tax revenue for the city will be approximately \$42,000, over the term of the certificate.

Due to the passage of personal property tax laws in 2014, there is a strong probability that the personal property will be exempt immediately for ad valorem taxes. This being assumed, the additional real property tax revenue for the city will be approximately \$23,000 over the term of the certificate.

At the end of the certificate's life the property subject to the abatement will be added to the City's ad valorem assessment roll and taxed at its full respective millage rates, unless the abatement is extended by City Council.

Other Abatements in the City

The applicant does not have any other abatements within the City of Novi.

Pending Appeals

To the best of staff's knowledge, there is no outstanding and/or pending appeal(s) involving the property that is the subject of this application within the city of Novi. Furthermore, there is no outstanding and/or pending appeal(s) involving the applicant filing for this tax incentive within the city.

Based on reviewing the application and the City's property tax incentive policy, the applicant qualifies for a 2-year abatement; with the term of the abatement beginning on 12/31/2018 and ending on 12/30/2020. The City's business residency requirement states with this duration of an abatement certificate the applicant must remain at the facility for an additional four (4) years after the certificate expires.

RECOMMENDED ACTION: Approval of Resolution authorizing application by Orotex Corporation for a 2-year Industrial Facilities Tax Exemption and Agreement concerning Industrial Facilities Tax Abatement subject to approval by the State Tax Commission pursuant to Public Act 198.

**CITY OF NOVI
RESOLUTION
APPROVING AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE
FOR OROTEX CORPORATION**

At a regular meeting of the City Council of the City of Novi, Oakland County, Michigan, held in the Council Chambers at 45175 Ten Mile Road, Novi MI 48375 on the **18th day of December, 2017**.

The following resolution was offered by Councilperson _____ and supported by Councilperson _____

WHEREAS, pursuant to P.A. 198, 1974, M.C.L. 207.551 et seq., after a duly noticed public hearing held on the **18th day of December, 2017**, the City of Novi, established an Industrial Development District, commonly referred to as the **Orotex Corporation Industrial Development District**; and

WHEREAS, **Orotex Corporation** has filed an application for an Industrial Facility Exemption Certificate with the Clerk of the City of Novi with respect to proposed new **real property** and **personal property** within the **Orotex Corporation Industrial Development District**; and

WHEREAS, before acting on said application, the City Council of Novi held a hearing on the **18th day of December, 2017** at a regularly scheduled meeting, at which time the applicant, the assessor, and a representative of the affected taxing units were given written notice and were afforded an opportunity to be heard on said application; and

WHEREAS, construction of the facility real property and installation of new personal property has not begun earlier than six (6) months before **21st day of November, 2017**, the date of the acceptance of the application for the Industrial Facility Exemption Certificate; and

WHEREAS, completion of **the real property and personal property** is calculated to and will at the time of issuance of the certificate have the reasonable likelihood to retain, create or prevent the loss of employment in Novi; and

WHEREAS, the aggregate SEV of real and personal property exempt from ad valorem taxes within the City of Novi after granting this certificate **will not exceed 5%** of an amount equal to the sum of the SEV of the unit, plus the SEV of personal and real property thus exempted.

NOW, THEREFORE, BE IT RESOLVED BY the City Council of Novi that:

1. The City Council of Novi finds and determines that the granting of this Industrial Facilities Exemption Certificate, together with the aggregate amount of the certificates previously granted and currently in force, under PA 198 of 1974, and PA 225 of 1978, **shall not** have the effect of substantially impeding the operation of the City of Novi, or of impairing the financial soundness of a taxing unit which levies ad valorem property taxes in the City of Novi.
2. The application from **Orotex Corporation** for an Industrial Facilities Exemption Certificate with respect to a **New Facility** on the following described parcel of real property situated within the **Orotex Corporation Industrial Development District**; to wit;

The real property parcel the facility is located on is identified as tax parcel 50-22-26-378-005, having an address **22475 Venture Drive**, City of Novi, MI 48375, including:

T1N, R8E, SEC 26 HICKORY CORPORATE PARK LOTS 3 & 4, ALSO SLY 98.23 FT
OF LOT 5 9-8-92 FR 001, 002 & 401-007

is hereby approved for **real property and personal property improvements.**

3. The Industrial Facilities Exemption Certificate when issued shall be and remain in force and effect for a period of **two (2) years**, and the starting date for the certificate is **December 31, 2018** and the ending date is **December 30, 2020**.

4. The total project investment approved is **\$9,205,000**.

5. **Orotex Corporation** agrees to operate the facility for which the Industrial Facilities Exemption Certificate is granted for the term of the certificate, plus an additional **two years** after the date of the certificate's expiration.

AYES:
NAYS:
ABSENT:
ABSTENTIONS:

RESOLUTION ADOPTED

STATE OF MICHIGAN)
)SS
COUNTY OF OAKLAND)

I, the undersigned, the duly appointed City Clerk for the City of Novi, Oakland County, Michigan do hereby certify that the foregoing is a true and complete copy of a resolution adopted at a regular meeting of the Novi City Council held on the **18th day of December, 2017**.

IN WITNESS WHEREOF, I have hereunto affixed my official signature on **this 18th day of December, 2017**.

Cortney Hanson, City Clerk

Application for Industrial Facilities Tax Exemption Certificate

Issued under authority of Public Act 198 of 1974, as amended. Filing is mandatory.

INSTRUCTIONS: File the original and two copies of this form and the required attachments (three complete sets) with the clerk of the local government unit. The State Tax Commission (STC) requires two complete sets (one original and one copy). One copy is retained by the clerk. If you have any questions regarding the completion of this form, call (517) 373-3302.

To be completed by Clerk of Local Government Unit	
Signature of Clerk	Date Received by Local Unit <u>11/21/17</u>
STC Use Only	
Application Number	Date Received by STC

APPLICANT INFORMATION
All boxes must be completed.

1a. Company Name (Applicant must be the occupant/operator of the facility) Orotex Corporation		1b. Standard Industrial Classification (SIC) Code - Sec. 2(10) (4 or 6 Digit Code) 3714	
1c. Facility Address (City, State, ZIP Code) (real and/or personal property location) 22475 Venture Drive, Novi, Michigan 48375		1d. City/Township/Village (indicate which) City	1e. County Oakland
2. Type of Approval Requested <input checked="" type="checkbox"/> New (Sec. 2(5)) <input type="checkbox"/> Transfer <input type="checkbox"/> Speculative Building (Sec. 3(8)) <input type="checkbox"/> Rehabilitation (Sec. 3(6)) <input type="checkbox"/> Research and Development (Sec. 2(10)) <input type="checkbox"/> Increase/Amendment		3a. School District where facility is located Novi	3b. School Code 63100
		4. Amount of years requested for exemption (1-12 Years) 2 years	

5. Per section 5, the application shall contain or be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be part of the facility. Attach additional page(s) if more room is needed.

See attached Project Description

6a. Cost of land and building improvements (excluding cost of land)	▶ <u>\$4,700,000</u>
* Attach list of improvements and associated costs. * Also attach a copy of building permit if project has already begun.	Real Property Costs
6b. Cost of machinery, equipment, furniture and fixtures	▶ <u>\$4,505,000</u>
* Attach itemized listing with month, day and year of beginning of installation, plus total	Personal Property Costs
6c. Total Project Costs	▶ <u>\$9,205,000</u>
* Round Costs to Nearest Dollar	Total of Real & Personal Costs

7. Indicate the time schedule for start and finish of construction and equipment installation. Projects must be completed within a two year period of the effective date of the certificate unless otherwise approved by the STC.

	Begin Date (M/D/Y)	End Date (M/D/Y)	
Real Property Improvements	▶ <u>01/01/2018</u>	<u>12/31/2019</u>	▶ <input checked="" type="checkbox"/> Owned <input type="checkbox"/> Leased
Personal Property Improvements	▶ <u>01/01/2018</u>	<u>12/31/2019</u>	▶ <input checked="" type="checkbox"/> Owned <input type="checkbox"/> Leased

8. Are State Education Taxes reduced or abated by the Michigan Economic Development Corporation (MEDC)? If yes, applicant must attach a signed MEDC Letter of Commitment to receive this exemption. Yes No

9. No. of existing jobs at this facility that will be retained as a result of this project. 82	10. No. of new jobs at this facility expected to create within 2 years of completion. 48
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11. Rehabilitation applications only: Complete a, b and c of this section. You must attach the assessor's statement of SEV for the entire plant rehabilitation district and obsolescence statement for property. The Taxable Value (TV) data below must be as of December 31 of the year prior to the rehabilitation.

a. TV of Real Property (excluding land)	<u>N/A</u>
b. TV of Personal Property (excluding inventory)	<u>N/A</u>
c. Total TV	<u>N/A</u>

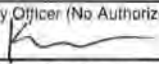
12a. Check the type of District the facility is located in:
 Industrial Development District Plant Rehabilitation District

12b. Date district was established by local government unit (contact local unit) TBD	12c. Is this application for a speculative building (Sec. 3(8))? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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APPLICANT CERTIFICATION - complete all boxes.

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all are truly descriptive of the industrial property for which this application is being submitted.

It is further certified that the undersigned is familiar with the provisions of P.A. 198 of 1974, as amended, being Sections 207.551 to 207.572, inclusive, of the Michigan Compiled Laws; and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local unit of government and the issuance of an Industrial Facilities Exemption Certificate by the State Tax Commission.

13a. Preparer Name Brian Szymanski	13b. Telephone Number (312) 602-8173	13c. Fax Number (312) 602-8173	13d. E-mail Address brian.szymanski@us.gt.com
14a. Name of Contact Person Ritsuko McCarthy	14b. Telephone Number (248) 773-8630	14c. Fax Number (248) 773-8633	14d. E-mail Address rmccarthy@orotexus.com
▶ 15a. Name of Company Officer (No Authorized Agents) Kenichi Miura			
15b. Signature of Company Officer (No Authorized Agents) 		15c. Fax Number (248) 773-8633	15d. Date 11/21/2017
▶ 15e. Mailing Address (Street, City, State, ZIP Code) 22475 Venture Drive, Novi, Michigan 48375		15f. Telephone Number (248) 773-8630	15g. E-mail Address kmiura@orotexus.com

LOCAL GOVERNMENT ACTION & CERTIFICATION - complete all boxes.

This section must be completed by the clerk of the local governing unit before submitting application to the State Tax Commission. Check items on file at the Local Unit and those included with the submittal.

▶ 16. Action taken by local government unit <input type="checkbox"/> Abatement Approved for _____ Yrs Real (1-12), _____ Yrs Pers (1-12) After Completion <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Denied (Include Resolution Denying)	16b. The State Tax Commission Requires the following documents be filed for an administratively complete application: Check or Indicate N/A if Not Applicable <input type="checkbox"/> 1. Original Application plus attachments, and one complete copy <input type="checkbox"/> 2. Resolution establishing district <input type="checkbox"/> 3. Resolution approving/denying application. <input type="checkbox"/> 4. Letter of Agreement (Signed by local unit and applicant) <input type="checkbox"/> 5. Affidavit of Fees (Signed by local unit and applicant) <input type="checkbox"/> 6. Building Permit for real improvements if project has already begun <input type="checkbox"/> 7. Equipment List with dates of beginning of installation <input type="checkbox"/> 8. Form 3222 (if applicable) <input type="checkbox"/> 9. Speculative building resolution and affidavits (if applicable)
16a. Documents Required to be on file with the Local Unit Check or Indicate N/A if Not Applicable <input type="checkbox"/> 1. Notice to the public prior to hearing establishing a district. <input type="checkbox"/> 2. Notice to taxing authorities of opportunity for a hearing. <input type="checkbox"/> 3. List of taxing authorities notified for district and application action. <input type="checkbox"/> 4. Lease Agreement showing applicants tax liability.	
16c. LUCI Code	16d. School Code
17. Name of Local Government Body	▶ 18. Date of Resolution Approving/Denying this Application

Attached hereto is an original application and all documents listed in 16b. I also certify that all documents listed in 16a are on file at the local unit for inspection at any time, and that any leases show sufficient tax liability.

19a. Signature of Clerk	19b. Name of Clerk	19c. E-mail Address
19d. Clerk's Mailing Address (Street, City, State, ZIP Code)		
19e. Telephone Number	19f. Fax Number	

State Tax Commission Rule Number 57: Complete applications approved by the local unit and received by the State Tax Commission by October 31 each year will be acted upon by December 31. Applications received after October 31 may be acted upon in the following year.

Local Unit: Mail one original and one copy of the completed application and all required attachments to:

Michigan Department of Treasury
State Tax Commission
PO Box 30471
Lansing, MI 48909

(For guaranteed receipt by the STC, it is recommended that applications are sent by certified mail.)

STC USE ONLY				
▶ LUCI Code	▶ Begin Date Real	▶ Begin Date Personal	▶ End Date Real	▶ End Date Personal

Orotex Corporation
Application for Industrial Facilities Tax Exemption Certificate
Section 6 - Real Property Project Costs

Description	Beginning Date of Project	Ending Date of Project
Concrete	1/1/2018	12/31/2019
Masonry	1/1/2018	12/31/2019
Flaming/Metals	1/1/2018	12/31/2019
Wood & Plastics	1/1/2018	12/31/2019
Thermal & Moisture Protection	1/1/2018	12/31/2019
Doors & Windows	1/1/2018	12/31/2019
Drywall/Finishes	1/1/2018	12/31/2019
Special Construction	1/1/2018	12/31/2019
Mechanical (Fire alarm system, Lighting)	1/1/2018	12/31/2019
Electrical	1/1/2018	12/31/2019
Equipment (AC Unit)	1/1/2018	12/31/2019
Paint	1/1/2018	12/31/2019
Plumbing	1/1/2018	12/31/2019
Real Property Total Estimated Cost		\$ 4,700,000

Orotex Corporation
Application for Industrial Facilities Tax Exemption Certificate
Section 6 - Personal Property Project Costs

Description	Beginning Date of Installation	Ending Date of Installation	Estimated Cost
<Machine/Robot, installation, Freight Cost>			
1 Single Shot 350t - STF50	1/1/2018	12/31/2019	\$ 1,116,000
1 Single Shot 350t - Nylon / TPO	1/1/2018	12/31/2019	\$ 1,782,000
2 shot D-Foam 300t	1/1/2018	12/31/2019	\$ 1,200,000
<Other Equipment>			
Crane, Extension, Air compressor	1/1/2018	12/31/2019	\$ 87,000
Generator (1000Amp for STF)	1/1/2018	12/31/2019	\$ 270,000
New Forklift	1/1/2018	12/31/2019	\$ 50,000
Personal Property Total Estimated Cost			\$ 4,505,000

Project Description

Orotex Corporation ("Orotex"), headquartered in Novi, Michigan, is a United States subsidiary of Iida Sangyo Co. Ltd., a Japanese corporation. The company opened its first sales office in the United States in 1999 and began manufacturing in 2002. In 2010, the company relocated from Farmington Hills, Michigan to Novi, Michigan where it continues to operate today. Orotex manufactures high-technology soundproofing, vibration dampening, and reinforcement materials for automotive customers primarily in the United States. The Novi facility supplies various automotive companies including: Toyota, Subaru, Nissan, Tesla, Caterpillar, GM, Ford, and Chrysler.

Orotex is considering a significant expansion of the company's headquarters and manufacturing operations in Novi, Michigan (the "Project"). If approved, the Project will result in a capital investment of approximately \$10.3 million, which is expected to include the following budget items (estimated): \$4.7 million for the construction of a 60,000 square foot addition to the existing building; \$100,000 for land improvements; and \$5.5 million for new machinery and equipment. In addition, the Project will lead to the retention of 82 full-time employees and the creation of 50 new, full-time positions with an average wage of \$33,900 over the next three years. The Project will allow the company to expand the current workflow and meet the increasing demand of the automotive market in North America. If successful, this location will become the company's North American hemisphere technical center.

Orotex Corporation
 Application for Industrial Facilities Tax Exemption Certificate
 Section 9 - Job Creation

Job Creation Projections

Job Category	Year One		Year Two		Year Three		Total
	Avg. Wage	Number Created	Avg. Wage	Number Created	Avg. Wage	Number Created	Number Created
Managerial	\$ -	-	\$ 70,000	1	\$ 70,000	2	3
Technical	\$ 44,000	5	\$ -	-	\$ -	-	5
Professional	\$ 35,000	1	\$ -	-	\$ -	-	1
Operators	\$ 30,000	20	\$ 30,000	17	\$ -	-	37
Laborers	\$ 30,000	3	\$ 30,000	1	\$ -	-	4
Total		29		19		2	50

Exhibit "A"

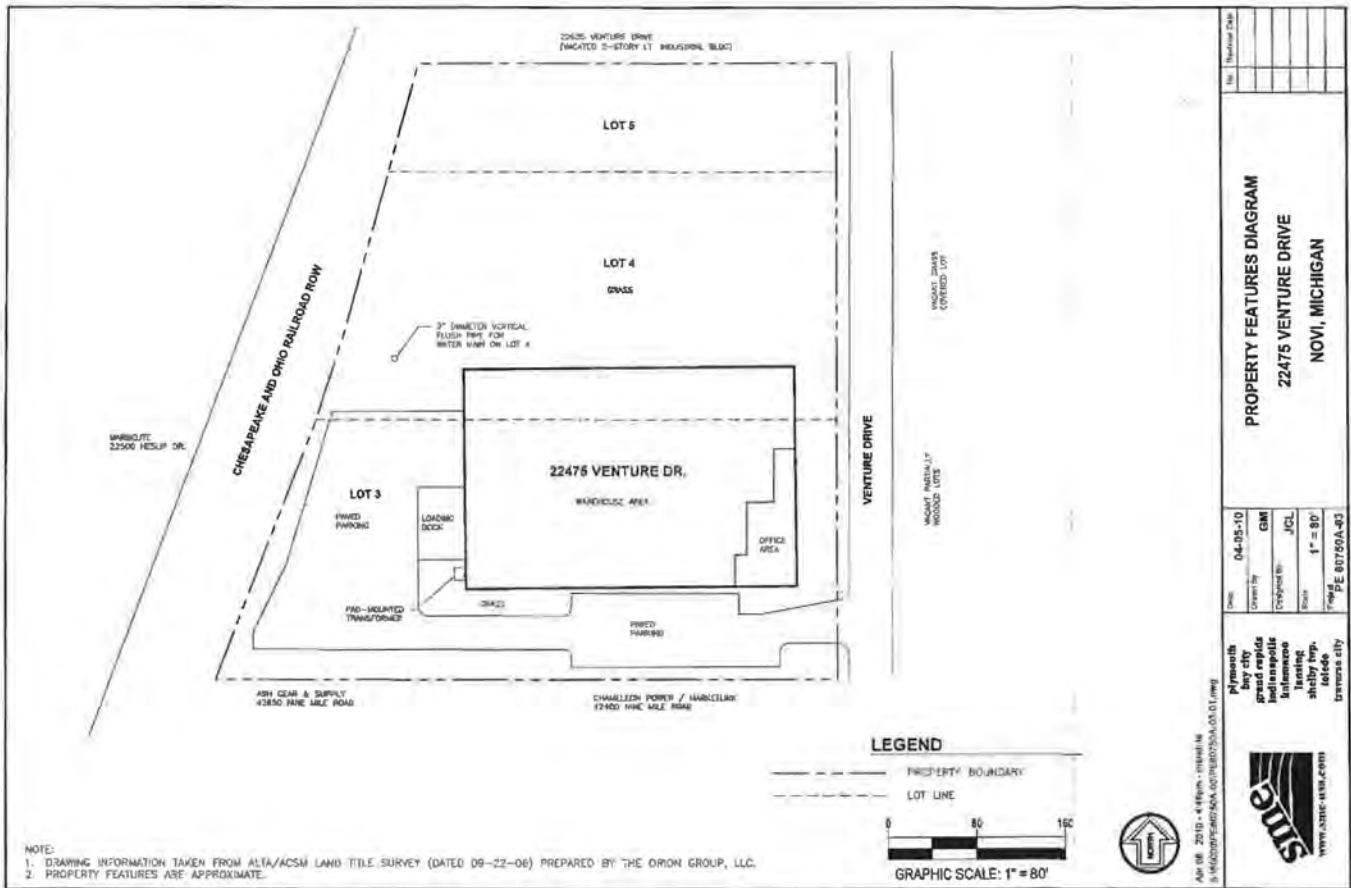
Property

Land situated in Oakland County, in the State of Michigan, described as follows:

Lots 3 and 4 and in the Southerly 98.23 feet of Lot 5, HICKORY CORPORATE PARK, according to the plat thereof as recorded in Liber 216 of Plats, Pages 9 through 12, both inclusive, Oakland County Records.

Tax Parcel Number: 22-26-378-005

Address of Real Estate: 22475 Venture Drive, Novi, Michigan 48375



PROPERTY FEATURES DIAGRAM 22475 VENTURE DRIVE NOVI, MICHIGAN									
Date: 04-05-10 Drawn by: GM Checked by: JCL Scale: 1" = 80' Title: PE 807501-03	<table border="1"> <tr> <td>No.</td> <td>Revised Date</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> </table>	No.	Revised Date						
No.	Revised Date								
Plymouth City Public Works Infrastructure Engineering 30000 Plymouth Michigan 48178	 www.smg-inc.com								

Figure No. 2

**INDUSTRIAL FACILITIES EXEMPTION APPLICATION
AFFIDAVIT OF FEES**

In accordance with State Tax Commission Bulletin No. 3, dated January 1998, the City of Novi and the Applicant for Industry Facilities Exemption Certificate, by and through their respective representatives, do hereby swear and affirm that no payment of any kind, whether they be referred to as "fees", "payments in lieu of taxes", "donations," or by any other like terms, in excess of the application fee allowed by Public Act 323 of 1996, as amended, has been made or promised in exchange for favorable consideration of an exemption certificate application.

City of Novi

Signed: _____

Printed Name: Cortney Hanson

Title: City Clerk

Dated: _____

Orotex Corproation
Company/Applicant Name

Signed:  _____

Printed Name: Kenichi Miura

Title: President

Dated: 11/21/2017

CITY OF NOVI
TAX INCENTIVE AGREEMENT
CONCERNING
INDUSTRIAL FACILITIES TAX ABATEMENT

The City of Novi ("City"), located at 45175 W. Ten Mile Road, Novi, Michigan 48375, and the below mentioned Company (collectively, "the Parties"), agree as follows:

Recitals

Orotex Corporation, hereinafter referred to as the
"Company," located at 22475 Venture Drive, Novi, Michigan 48375

has submitted an application to City Council for the granting of an Industrial Facility Exemption Certificate (IFEC), pursuant to Michigan Public Act 198, of 1974, as amended. The property the application pertains to (the "Property") is currently and commonly referred to by its assessment parcel number(s) 50-22-26-378-005

and is located within an approved Industrial Development District ("Eligible District").

The City and the Company desire to enter into this Tax Incentive Agreement ("Agreement") as required by MCL 207.572, and for the purpose of setting forth the terms and conditions under which an IFEC may be approved by the City Council and may be approved and issued by the State Tax Commission for the facility proposed to be exempt from *ad valorem* real and personal property taxation.

The Company submitted an application for issuance ("Application") of an IFEC for the facility, as provided for in PA 198, of 1974, as amended. The Application is incorporated as part of this Agreement by reference.

Therefore, in consideration of the forgoing, the Parties now enter into this Agreement.

Terms and Conditions

In recognition of the granting of the IFEC by City Council and the benefit of the tax savings for the Company, and the economic growth of the City, I hereby agree on behalf of the Company to the following:

1. The Company will furnish notification of the completion of the facility to the City Assessor and the State Tax Commission, within 30 days of the date of completion. If there is no construction progress for a facility under construction for more than 180 days, the Company will notify the City Assessor of its reasons for delay.
2. Within 90 days of the date of completion of the facility, the Company will report:
 - a. The final cost of the facility to the City Assessor and the State Tax Commission including, if applicable, and:
 - i. a detailed listing of the new personal property acquired for the facility, including item description, type, identification, year of acquisition and all costs for its purchase and installation; and
 - ii. a detailed listing of the constructed real property, including all direct and indirect costs associated with its completion; and
 - iii. the number of jobs created by completion of the facility, not including jobs transferred from other locations.

If the actual project costs are more than 10% less than the estimated costs given in the application, or if the number of jobs created are less than the number estimated in the application, the Company will provide the city assessor with a written explanation.

3. No later than the 10th day of March of each year, beginning the year following the first tax year effective by the IFEC and throughout the term of this Agreement, the Company shall submit a report ("Annual Report") to the City Assessor and City Clerk stating the average number of jobs in the Eligible District for the preceding year, computed as the average number of actual jobs existing on a quarterly basis for the calendar year preceding the Annual Report. During the term of this Agreement, the City may upon reasonable advance notice, during reasonable times and subject to reasonable restrictions (including but not limited to confidentiality restrictions), review and audit the information presented by the Company to determine compliance with this Agreement.
4. As a condition of receiving an IFEC, or an extension and/or transfer of an existing certificate, pursuant to the city's tax abatement policy, the company agrees to operate the facility for which the IFEC is granted for the term of the IFEC according to the following schedule:
 - a. Tax abatement term of up to eight (8) years (including extensions) = length of abatement certificate AND an additional two (2) tax years.
 - b. Tax abatement term of over eight (8) years (including extensions) = length of the abatement certificate AND an additional four (4) tax years.

5. As a condition of receiving the IFEC, or an extension of an existing certificate, pursuant to this policy, the Company agrees to operate the facility for which the IFEC is granted for the term of the IFEC, which is in accordance with the Resolution approving the IFEC approved by the City Council, plus business residence time period required, in tax years, after the date of expiration of the IFEC.
6. The Company further understands that if it vacates or fails to operate the facility for which the IFEC is granted for the period of time as outlined above, that the company is liable for repayment of all property tax savings benefiting the Company due to the existence of the IFEC, beginning with the initial effective year of the IFEC. In addition, the Company will be liable for repayment of all future tax savings if there are any remaining years in the term of the IFEC, under the provisions of Section 21(2) of Public Act 198, 1974 as amended. These provisions may be waived by the City Council at the request of the Company for justifiable cause.
7. The Company further agrees to pay its abated real and personal property taxes timely and without penalty. In addition, the Company agrees to inform the City Assessor and the City Treasurer of any plans to relocate the company from any location within the City, 30 days prior to the relocation. If any of the foregoing amounts are not paid within sixty (60) days from when the taxes are due to the City, the City may institute a civil action against the Company, and the City shall be entitled to recover the taxes due and any penalties and interests accrued. In addition, the Company shall be all court costs and attorneys' fees incurred by the City in connection with such civil action if the City prevails in collecting at least fifty (50%) percent of the funds sought to be recovered in the action.
8. The Company agrees to notify the City Assessor and City Treasurer of any change in the ownership of the Company's real and personal property assets or a majority share of the Company's stocks. For the purposes of this agreement, a new owner or lessee shall be defined as follows:
 - a. For those IFECs that pertain to real property improvements, the term "new owner or lessee" shall be defined as follows:
 - i. A new entity that acquires, owns and occupies or leases and occupies the facility after the existing certificate holder has physically moved from or vacated the facility.
 - OR
 - ii. An entity that acquires an ownership interest of more than 50% in the existing certificate holder entity that owns and occupies or leases and occupies that facility.

b. For those IFECs pertaining to personal property, the term "new owner or lessee" shall be defined as follows:

i. A new entity that acquires from the existing certificate holder entity the ownership of the facility or leasehold interest in the facility and which keep the facility at its current location.

OR

ii. An entity that acquires an ownership interest of more than 50% in the existing certificate holder entity that owns or leases the facility.

9. Whenever there is a new owner or lessee, as defined above, of any real or personal property for which an IFEC has been granted, the new owner or lessee shall make application for a transfer of the certificate to the new owner or lessee immediately, but no longer than six (6) months after a change in ownership occurs. The City Council may grant requests to transfer existing certificates, after review, provided requests are consistent with the City's adopted Tax Incentive Policy, or any amendments made to the policy, that is in effect at the time a request for a transfer is made. An updated tax incentive agreement shall accompany any request for a transfer of a certificate to a new owner or lessee.


10. The Company further agrees to abide by all other City ordinances, including its building and zoning codes, during the construction and operation of the facility.

11. The Agreement will be interpreted, construed, and enforced in all respects in accordance with the laws of the State of Michigan.

12. The Parties acknowledge that each of them has consulted with attorneys and counselors regarding this Agreement and that the City and the Company have equally participated in the drafting of this Agreement. The Company acknowledges that the terms, conditions, requirements, and obligations of the IFEC and this Agreement are lawful and are reasonable in consideration for the benefits the Company has determined that it will achieve by issuance of the IFEC, and the Company agrees that it shall not be permitted to claim that the City is not authorized by law and/or equity to enforce any provision of this Agreement.


By the signatures of representatives of both the Company and the City below, it is understood that both the Company's investment in the project and the City's investment through the granting of the IFEC is to encourage the economic growth of all.

WITNESS:


SIGNATURE

William J. Reynolds
PRINT NAME

COMPANY REPRESENTATIVE:

BY: 
KENICHI MIURA

ITS: PRESIDENT

DATED: 11/21/2017

ACKNOWLEDGED BY THE CITY OF NOVI:

WITNESS:

SIGNATURE

PRINT NAME

BY: _____
ROBERT J. GATT

ITS: MAYOR

DATED: _____

WITNESS:

SIGNATURE

PRINT NAME

BY: _____
CORTNEY HANSON

ITS: CITY CLERK

DATED: _____



November 21, 2017

City Clerk
City of Novi
45175 W. Ten Mile Road
Novi, Michigan 48375

RE: Application for Industrial Facilities Tax Exemption Certificate by Orotex Corporation

Dear Mayor and Members of City Council:

On behalf of Orotex Corporation ("Orotex" or "Company"), we would like to thank you for your interest in supporting our proposed expansion project in Novi (the "City"). At this time, Orotex is proposing a significant investment in our headquarters and manufacturing operations which will result in a \$10.3 million investment which includes: construction of a 60,000 square foot addition to the existing building, land improvements, and new machinery and equipment (the "Project"). To support the Project, the Company is requesting a partnership with the City, in the form of a two-year real property tax abatement for the building addition. Pursuant to Public Act 198 of 1974, please find enclosed the completed Application for Industrial Tax Exemption Certificate along with the required supporting documentation.

A check for the \$1,500 application fee is enclosed.

We appreciate your consideration of this request and look forward to partnering with the City of Novi on this exciting project. If you have any questions regarding this application, please feel free to contact Ritsuko McCarthy at (248)773-8630 or Brian Szymanski, of Grant Thornton LLP, at (312) 602-8173.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kenichi Miura".

Kenichi Miura
President

Enclosures

Copy to: Alan Weber, City of Novi
Brian Szymanski, Grant Thornton



Tax Abatement Submittal Form

The City of Novi asks that all firms requesting more information about tax abatements for their new or existing business fill out this form.

Please return completed form by mail to:
Victor Cardenas
45175 W. Ten Mile Road
Novi, MI 48375

or by email to: vcardenas@cityofnovi.org

Name of firm requesting abatement: Orotex Corporation

Contact Person: Ritsuko McCarthy

Address: 22475 Venture Drive, Novi, Michigan 48375

Phone: (248)773-8630 Email: rmccarthy@orotexus.com

Please answer the following questions as completely as possible.

1. How many acres does the project include? 5.95

2. How many new jobs would be brought to the City of Novi? 50

a. Average salary range of new hires? \$ 33,900

Is this an expansion project of an existing business in Novi? Yes No

Is this project coming from within the State of Michigan? Yes No

If you answered No, please indicate the origin state? _____

Is the headquarters on the site of the facility for which you are requesting abatement?

Yes No



City of Novi
Property Tax Policy
Supplemental Questions

Date: November 17, 2017

Applicant Name: Orotex Corporation ("Orotex")

The following criteria will be used to evaluate requests for tax abatement and determination of the number of years of the abatement. The City Council reserves the right to modify the tax abatement criteria to reflect changing objectives, priorities or conditions of the community. All of the following items would need to be initially addressed by the applicant before consideration can move forward.

- A. A project must not have started more than 6 months before an application for abatement was received by the City, and be located in a plant rehabilitation district or industrial development district established prior to the commencement of the project.

Orotex is in the planning phase of the project. As a result of increasing sales and the desire to diversify products, the company is considering a large expansion project at its Novi, Michigan facility. The project will be located in an industrial development district prior to the commencement of the project.

- B. There must be no outstanding taxes owed by the applicant or entity on the project.

There are no outstanding taxes owed by Orotex.

- C. If the facility is leased, the number of years awarded will not exceed the length of the lease.

Not applicable.

- D. There is no pending or current litigation, including but not limited to property tax appeals, against the City by the applicant or its agents.

There is no pending or current litigation against the City by Orotex.

- E. Tax incentives will only be offered for the current phase of a project.

Orotex is only requesting a property tax abatement on real property of the proposed project outlined in its Application for Industrial Facilities Tax Exemption Certificate.

F. The project must be fiscally beneficial to Novi from a tax revenue standpoint and must have the potential to increase employment opportunities for citizens of the community.

The project will help retain 82 full-time jobs currently in Novi and will create up to 50 new, full-time jobs over the next three years. Additional fiscal benefits to the city include the increase in real and personal property taxes and the expenditures by employees and customers of Orotex.

G. The company must demonstrate it would not locate or expand in the City if tax abatement was not available.

As a result of increasing sales and the desire to diversify products, the company is considering a large expansion project at its Novi, Michigan facility. Currently, a number of factors are present which impair the ability of the company to successfully implement the Project in Novi. Specifically, the project challenges include the following considerations: (1) the City of Novi has a lengthy development process compared to the alternative sites under consideration for the project. This impacts the company's ability to meet customer orders, and a short-term manufacturing solution outside of Novi may be required; (2) in order to join the new and existing buildings as planned, the company must pay for the relocation of the electrical infrastructure which is estimated at \$250,000. In order to complete this relocation, power will be disrupted and the facility must shut down for approximately 7 days; (3) the availability and higher cost of labor (approximately 13%) compared to the Chattanooga metro area; and (4) as the company's customers continue to grow operations in the southeast, these customers are requiring suppliers adhere to "just in time" manufacturing requirements which require suppliers to be located within a certain radius of their operations. This requirement could limit the company's ability to compete for future contracts. Property tax incentives are an integral part of making the Novi site cost-competitive with other potential locations.

H. The cost disparity between expanding or locating in Novi and alternative locations outside the community must be demonstrated by the applicant.

Orotex is considering locating the project in the Chattanooga, Tennessee metro area. As mentioned above, the cost of labor in Novi is approximately 13% higher than Chattanooga metro. Alternatively, the company can maintain the Novi operations and fulfill customer orders from this facility and its larger plant in Mexico, which has existing capacity and operates at a significantly lower cost than the Novi operations.

I. The long term impact of the project on Novi's economy, particularly in both real and personal property.

Orotex's proposed project anticipates a capital investment of \$10.3 million, which includes approximately \$4.8 million in real property and \$5.5 million in personal property. The City will be known as the company's North American hemisphere technical center which could make it a preferred location for future projects. If Orotex located the project in another state, the City of Novi would lose a substantial amount of economic activity.

J. The contributions the business has made to communities where it is currently located (i.e., are they a good neighbor. do they get involved in civic activities).

Orotex believes in contributing to the success and quality of life of its employees, customers and community. The company has a history of donating to Gleaner's Food Bank in Taylor, Michigan and participating in an adopt a family program for Christmas.

K. Diversification of the tax base that will have the effect of developing both real and personal property to Novi's tax base.

This is accurate.

L. The development will provide enhanced opportunities for the existing business community.

This is accurate.

M. Evidence of corporate ongoing profitability, viability and vitality must be demonstrated, such as net profit, by percentage, and in real dollars for the last three corporate fiscal years.

Tax Year ended December 31	Net Income (by percentage)	Net Income (by dollars)
2014	10.4%	\$2,646,684
2015	13.8%	\$3,631,171
2016	13.1%	\$3,438,713

N. Applicants are to provide a fiscal impact analysis that demonstrates the positive impacts to the community and where the benefits outweigh the abated amount in taxes for the duration of the abatement.

The proposed project involves a capital investment of approximately \$10.3 million, which will have a direct and immediate impact on the on the revenue of the City of Novi and other taxing jurisdictions (see below for the property tax projections). The capital investment will lead to the retention of 82 current full-time positions and the creation of 50 new, full-time positions over the next three years in Novi. In addition to the property tax revenues, the influx of Orotex's employees, customers, and vendors will bring additional revenue to local businesses.

Real Property Impact on Novi's Revenue						
Tax Year	Real Property Assessed Value	Estimated Tax Rate	Estimated Tax Due	Abatement Schedule	Estimated Tax Abatement	Net Tax Revenue
2019	\$ 2,400,000	5.30%	\$ 127,200	42%	\$ 53,424	\$ 73,776
2020	\$ 2,430,000	5.31%	\$ 129,112	42%	\$ 54,227	\$ 74,885
2021	\$ 2,460,375	5.33%	\$ 131,053	0%	\$ -	\$ 131,053
2022	\$ 2,491,130	5.34%	\$ 133,023	0%	\$ -	\$ 133,023
2023	\$ 2,522,269	5.35%	\$ 135,022	0%	\$ -	\$ 135,022
2024	\$ 2,553,797	5.37%	\$ 137,052	0%	\$ -	\$ 137,052
2025	\$ 2,585,720	5.38%	\$ 139,112	0%	\$ -	\$ 139,112
2026	\$ 2,618,041	5.39%	\$ 141,203	0%	\$ -	\$ 141,203
2027	\$ 2,650,767	5.41%	\$ 143,325	0%	\$ -	\$ 143,325
2028	\$ 2,683,901	5.42%	\$ 145,480	0%	\$ -	\$ 145,480
Total			\$ 1,361,580		\$ 107,651	\$ 1,253,929

Personal Property Impact on Novi's Revenue				
Tax Year	Acquisition Cost	Personal Property Assessed Value	ESA Tax Rate	Estimated Tax Liability
2019	\$3,500,000	\$ 1,750,000	0.240%	\$ 4,200
2020	\$4,500,000	\$ 2,250,000	0.240%	\$ 5,400
2021	\$5,500,000	\$ 2,750,000	0.240%	\$ 6,600
2022	\$5,500,000	\$ 2,750,000	0.240%	\$ 6,600
2023	\$5,500,000	\$ 2,750,000	0.240%	\$ 6,600
2024	\$5,500,000	\$ 2,750,000	0.125%	\$ 3,438
2025	\$5,500,000	\$ 2,750,000	0.125%	\$ 3,438
2026	\$5,500,000	\$ 2,750,000	0.125%	\$ 3,438
2027	\$5,500,000	\$ 2,750,000	0.125%	\$ 3,438
2028	\$5,500,000	\$ 2,750,000	0.125%	\$ 3,438
Total				\$ 46,588

O. Any approved tax abatements will undergo a yearly compliance review.

Orotex will meet the reporting requirements outlined in the Tax Incentive Agreement Concerning Industrial Facilities Tax Abatement.

P. The applicant must be committed to the community for the entire term of the tax abatement and into the future. Evidence of this involvement would need to occur once abatement is awarded to applicant.

Understood.

Q. The granting of the industrial facilities exemption certificate, considered together with the aggregate amount of industrial facilities exemption certificates previously granted and currently in force, shall not have the effect of substantially impeding the operation of the City.

Understood.

Proposed Data Related to Orotex

The following summary is additional information related to the abatement.

Total estimated investment and estimated taxable value*: Investment \$4,700,000 Taxable (50%) \$2,350,000 (investment value added at application cost)

Property Tax Estimate

	Mills**	Annual Tax Bill	Total Incentive By Year (50%)												Total Incentive		
			2019 Year 1	2020 Year 2	2021 Year 3	2022 Year 4	2023 Year 5	2024 Year 6	2025 Year 7	2026 Year 8	2027 Year 9	2028 Year 10	2029 Year 11	2030 Year 12			
General	4.9925	\$11,732	\$5,866	\$5,954	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 11,820
Streets	1.4923	\$3,507	\$1,753	\$1,780	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 3,533
Public Safety	1.4208	\$3,339	\$1,669	\$1,694	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 3,364
Parks & Rec	0.3836	\$901	\$451	\$457	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 908
Drain	0.1006	\$236	\$118	\$120	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 238
CIP	1.0000	\$2,350	\$1,175	\$1,193	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 2,368
Library	0.7678	\$1,804	\$902	\$916	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 1,818
Debt Library ***	0.3800	\$893	\$447	\$453	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 900
City	10.5376	\$24,763	\$12,382	\$12,567	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	24,949
School (Novi)	32.3118	\$75,933	\$37,966	\$38,536	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	76,502
County	4.7880	\$11,252	\$5,626	\$5,710	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	11,336
OCC	1.5555	\$3,655	\$1,828	\$1,855	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	3,683
ISD	3.3079	\$7,774	\$3,887	\$3,945	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	7,832
Total	52.5008	\$123,377	\$61,688	\$62,614	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 124,302

* Starting and future values are based on initial investment in property with annual 1.5% increases for inflation.

** Annual tax bill based on the 2017 Tax Year millage rates, including 1.000 CIP.

*** Current Debt Millages scheduled to fall off in future fiscal years

The City's current abatements and when they are set to expire are as follows:

Name	APN	Taxable Value	Fiscal Year Expiration	Revenue Increase At Expiration
HCP Land LLC (Tognum)	IN-11-100-320	\$2,384,890	2019-2020	\$62,604
Harman Becker	IN-14-100-400	\$9,968,950	2023-2024	\$261,689
Magna Seating	IN-15-100-195	\$6,935,250	2029-2030	\$182,053
Stoneridge	IN-16-100-095	\$402,750	2018-2019	\$10,572
Boco Enterprises	IN-16-100-096	\$5,000,000	2029-2030	\$131,252
Daifuku NA Holding	IN-16-100-145	\$5,307,500	2029-2030	\$139,324
A123 Supplies, LLC****		\$13,598,000	2029-2030	\$356,953
Yanfeng Auto****		\$4,295,000	2025-2026	\$112,745
EJ Brooks***		\$973,926	2021-2022	\$25,566
Hino Motors***		\$7,901,500	2023-2024	\$207,418
Hanon Systems***		\$9,058,278	2030-2031	\$237,783
Production Tool Supply****		\$17,500,000	2030-2031	\$428,297
Orotex Corporation***		\$2,350,000	2020-2021	\$61,688

Summary of Previously Approve and Proposed PA 198 Projects

Proposed Data Related to Orotex

Property Tax Estimate

Total Increase By Fiscal Year Ended

	Mills**	Annual Tax Bill	Total Increase By Fiscal Year Ended													Total Increase Revenues
			2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
General	4.9925	\$ 45,223	\$ 29,570	\$ 29,570	\$ 37,868	\$ 37,868	\$ 82,477	\$ 82,477	\$ 93,198	\$ 93,198	\$ 93,198	\$ 93,198	\$ 170,184	\$ 236,481	\$ 1,079,288	
Streets	1.4923	\$ 13,518	\$ 8,839	\$ 8,839	\$ 11,319	\$ 11,319	\$ 24,653	\$ 24,653	\$ 27,858	\$ 27,858	\$ 27,858	\$ 27,858	\$ 50,870	\$ 70,686	\$ 322,608	
Public Safety	1.4208	\$ 12,870	\$ 8,415	\$ 8,415	\$ 10,777	\$ 10,777	\$ 23,472	\$ 23,472	\$ 26,523	\$ 26,523	\$ 26,523	\$ 26,523	\$ 48,432	\$ 67,299	\$ 307,151	
Parks & Rec	0.3836	\$ 3,475	\$ 2,272	\$ 2,272	\$ 2,910	\$ 2,910	\$ 6,337	\$ 6,337	\$ 7,161	\$ 7,161	\$ 7,161	\$ 7,161	\$ 13,076	\$ 18,170	\$ 82,927	
Drain	0.1006	\$ 911	\$ 596	\$ 596	\$ 763	\$ 763	\$ 1,662	\$ 1,662	\$ 1,878	\$ 1,878	\$ 1,878	\$ 1,878	\$ 3,429	\$ 4,765	\$ 21,748	
CIP	1.0000	\$ 9,058	\$ 5,923	\$ 5,923	\$ 7,585	\$ 7,585	\$ 16,520	\$ 16,520	\$ 18,668	\$ 18,668	\$ 18,668	\$ -	\$ -	\$ -	\$ 116,059	
Library	0.7678	\$ 6,955	\$ 4,548	\$ 4,548	\$ 5,824	\$ 5,824	\$ 12,684	\$ 12,684	\$ 14,333	\$ 14,333	\$ 14,333	\$ 14,333	\$ 26,173	\$ 36,369	\$ 165,984	
Debt Library***	0.3800	\$ 3,442	\$ 2,251	\$ 2,251	\$ 2,882	\$ 2,882	\$ 6,278	\$ 6,278	\$ 7,094	\$ 7,094	\$ 7,094	\$ 7,094	\$ 12,953	\$ 18,000	\$ 82,149	
City	10.5376	\$ 95,453	\$ 62,414	\$ 62,414	\$ 79,927	\$ 79,927	\$ 174,083	\$ 174,083	\$ 196,712	\$ 196,712	\$ 196,712	\$ 178,045	\$ 325,118	\$ 451,769	\$ 2,177,915	
School (Novi)	32.3118	\$ 292,689	\$ 191,381	\$ 191,381	\$ 245,082	\$ 245,082	\$ 533,796	\$ 533,796	\$ 603,185	\$ 603,185	\$ 603,185	\$ 603,185	\$ 1,101,445	\$ 1,530,518	\$ 6,985,224	
County	4.7880	\$ 43,371	\$ 28,359	\$ 28,359	\$ 36,317	\$ 36,317	\$ 79,098	\$ 79,098	\$ 89,381	\$ 89,381	\$ 89,381	\$ 89,381	\$ 163,213	\$ 226,794	\$ 1,035,079	
OCC	1.5555	\$ 14,090	\$ 9,213	\$ 9,213	\$ 11,798	\$ 11,798	\$ 25,697	\$ 25,697	\$ 29,038	\$ 29,038	\$ 29,038	\$ 29,038	\$ 53,024	\$ 73,680	\$ 336,271	
ISD	3.3079	\$ 29,964	\$ 19,593	\$ 19,593	\$ 25,090	\$ 25,090	\$ 54,647	\$ 54,647	\$ 61,751	\$ 61,751	\$ 61,751	\$ 61,751	\$ 138,737	\$ 182,663	\$ 767,062	
Total	52.5008	\$ 475,567	\$ 310,960	\$ 310,960	\$ 398,214	\$ 398,214	\$ 867,321	\$ 867,321	\$ 980,066	\$ 980,066	\$ 980,066	\$ 961,399	\$ 1,781,538	\$ 2,465,424	\$ 11,301,550	

* Starting and future values are based on initial investment in property with annual 1.5% increases for inflation.

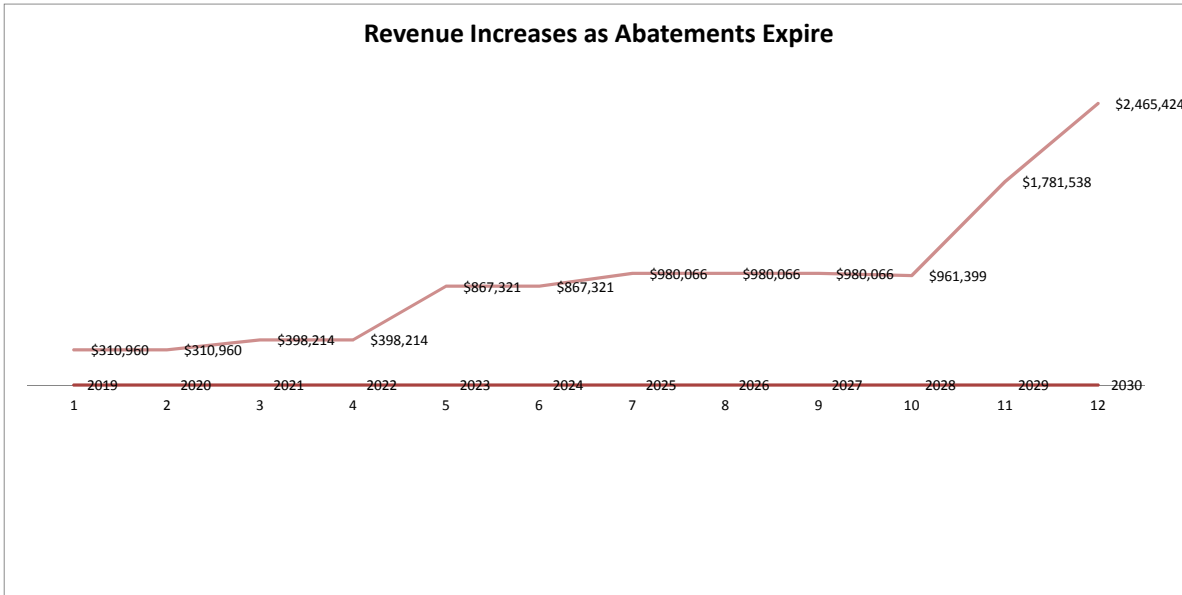
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Production Tool Supply	\$17,500,000	2030-2031	\$459,382	Proposed
Orotex Corporation	\$2,350,000	2020-2021	\$61,688	Proposed

Revenue Increases as Abatements Expire











 **OROTEX**
CORPORATION











 **OROTEX**
CORPORATION





PROPOSED EXPANSION
60,000 SF