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Company suing city asks for tax break

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City Council wants business to drop case before it will consider an abatement

Daily Tribune Staff Writer

FERNDALE -- Some city officials question giving a Ferndale manufacturing company a tax break on new investment while the owner of the company is suing the city to reduce the assessed value of the property where the company sits.

"I question whether we should be helping someone reduce taxes when they are suing us to reduce taxes even further," said City Councilman T. Scott Galloway.

Progressive Metal Co., 1300 Channing, is expected to add 20 new jobs to its 70-member work force with a \$4.5 million investment with new equipment.

The company, owned by Eric Borman, has requested a 12-year tax abatement, which would exempt the company from \$440,979 in state, county and city taxes for that period.

Ferndale's portion of those taxes amounts to about \$148,000, or more than \$12,000 annually.

Borman failed to return phone calls to his office seeking comment on the tax break request and his litigation against Ferndale for a property tax reduction.

David Laporte, a financial vice president at Progressive Metal, appeared before the City Council this week for a public hearing on the tax abatement. He appeared surprised when the subject of Borman's lawsuit against Ferndale came up.

"I don't know anything about this," Laporte said.

The tax abatement request is routine for companies planning significant investments, especially in communities like Ferndale that want to attract and retain businesses.

The tax break request from Progressive Metal has the support of the Oakland County Economic Development Corporation and the Michigan Economic Development Corporation which are governmental agencies that seek to foster business development.

Interim City Manager Warren Renando also recommends that Progressive

should get the 12-year tax abatement on its new investment in machinery.

The real estate company that owns the property, which is leased to Progressive Metals, also is owned by Borman.

According to Ferndale Treasurer/Assessor Jay Singh, Borman's real estate company is in litigation against Ferndale before the Michigan Tax Tribunal to have the State Equalized Value of the property cut almost in half from about \$966,000 to \$550,000.

The SEV is used as a baseline to determine the tax rate on a property.

The tax rate on real estate is limited in Michigan by property tax reform laws to increases of 5 percent or less each year. When a property is sold, those limits are removed and the tax rate increases, often significantly.

At a City Council public hearing on the tax abatement issue this week, Galloway noted that it looked as though the property was being prepared for sale given the attempt to reduce the SEV on the property where Progressive Metal operates to keep the tax rate low.

Indeed, the property -- not the company -- is listed for sale at \$2.5 million on LoopNet Inc., an online commercial real estate listing service.

Under the terms of the sale, Progressive would be responsible for paying rent, maintenance and the taxes on the property.

If the suit against the city before the Michigan Tax Tribunal is successful, it would reduce Progressive Metal's city taxes by about \$27,000 annually, Galloway said.

"At this point we don't know exactly what is going on," Galloway said. "To me, if (Progressive) is asking for a handout on personal property taxes they should be willing to drop their lawsuit against us."

Councilmen Craig Covey and Mike Lennon agree that the city needs more information before it considers giving Progressive Metal a 12-year tax abatement.

"We need to find out who is suing who and who is doing what," Lennon said.

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