

RESOLVED, that the Minutes of the Regular City Council Meeting held Wednesday, September 28, 1988 be and are hereby approved as presented.

Ayes: Baron, Glass, Jolly, Karas, Snell, Tull

Nays: None

Absent: Carvey

MOTION CARRIED

Public Hearing - Revocation of Industrial Development Districts. (Council Members received copies of the Public Hearing Notice; a letter to industrial property owners from the Director of Assessing; an October 11, 1988 memo from Mr. Kutschman, with attached maps, legal descriptions and a sample resolution; and articles copied from Crain's Detroit Business (Oct. 10, 1988 issue).)

President Snell said the purpose of the Public Hearing is to hear comments on whether or not the Council should rescind and revoke the existing Industrial Development Districts ("IDD's") in the city. President Snell said the law provides that property owners within established IDD's may apply to the city for tax abatement certificates ("IFEC's"). Tonight, the Council will consider eliminating all IDD's in the city to preclude business owners from applying for a tax abatement without first having to apply for the creation of an IDD.

President Snell noted that the property owner may not appeal a Council denial to create an IDD; however, a Council denial of an IFEC may be appealed to the State Tax Commission. President Snell said the State Tax Commission did overturn a Council denial of an IFEC just last year.

[ENTER COUNCIL MEMBER CARVEY]

Leonard Kutschman, Director of Assessing, was present.

Mr. Kutschman said he has spoken with a number of owners of property within the existing IDD's. The property owners were concerned about whether or not the proposed revocation would have an impact upon existing abatements. Mr. Kutschman said he and his staff made it clear that eliminating the IDD's would not affect any existing abatements. Mr. Kutschman said the property owners seemed satisfied, and he noted that there do not appear to be any industrial property owners present specifically for this public hearing.

At 7:40 p.m. President Snell declared the Public Hearing to be open and asked if any members of the audience wished to address the Council regarding the proposed revocation of IDD's. Seeing and hearing none, at 7:40 p.m. President Snell declared the Public Hearing to be closed.

Mr. Tull commended President Snell for his role in bringing about the city's abatement policy. He noted that the absence of anyone speaking against the proposed revocation shows that the proposal being presented tonight is well-received by the community. Mr. Tull said President Snell has been a leader in the efforts to bring the city to the point of eliminating all IDD's in Rochester Hills.

Mr. Tull said he supports the proposal. Mr. Tull said he does not feel tax abatements in Rochester Hills serve the purpose for which they were initially intended.

Mr. Tull asked Mr. Kutschman to describe what, if any, follow-up the Council may pursue to ensure that persons or companies who now have IFEC's are living up to the representations they made to the Council in order to obtain the tax abatements.

Mr. Kutschman said the city has not performed an audit within the past 12 months on any of the businesses in terms of employment levels or the other circumstances that caused the city to grant abatements. Mr. Kutschman said his department is familiar with the businesses, knows what the business levels are, and is aware of which businesses may be having

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problems. Mr. Kutschman noted that the city has begun revocation proceedings on one IFEC. Five IFEC's will expire this year, and more will expire in each of the coming years.

Mr. Kutschman said that, based on the last audit, the Assessing Department found that employment levels typically exceeded those planned when abatements were granted. Mr. Kutschman said he believes the city's program has been an overall success, although not for each and every one of the 53 businesses. Mr. Kutschman said the program has created a significant amount of employment in Rochester Hills and has, in most instances, exceeded the levels initially anticipated.

Mr. Baron said that, because of our geographic location and accessibility to freeways and because of our proximity to the Oakland Technology Park and the office buildings in Troy, he does not feel there are any compelling reasons for giving the maximum 12-year abatement to any businesses in Rochester Hills. Mr. Baron said GMF Robotics was given an abatement of \$250,000 per year for 12 years, which adds up to \$3 million.

Mr. Baron said he believes approval of the proposal tonight would be a step in the right direction. Mr. Baron said it is his opinion that the money lost to the schools, to road improvements and to the infrastructure was an over-incentive, and he asked what the total cost is of the 53 abatements given in the past.

Mr. Kutschman said Mr. Baron's question makes the assumption that all of those businesses would be here regardless of abatements. Mr. Kutschman said he cannot make that assumption.

Mr. Baron asked how much the city has given in inducements from 1979 to date.

Mr. Kutschman said the assessments on the industrial facilities tax roll total more than \$30 million in State Equalized Value. Mr. Kutschman said the amount of abatements totals about \$900,000 per year.

In response to President Snell's question, Mr. Kutschman said the last abatement from the city was granted in 1987 as a result of a mandate from the State Tax Commission. That application was filed in 1986 and was denied by the Council; however, the Tax Commission overruled the denial and required that an abatement be granted.

Mr. Kutschman said the abatement program was begun in Avon Township in 1979 as a result of extreme pressure from the Department of Commerce, which was encouraging development and industrial growth throughout the state of Michigan. Interest rates hovered around 15-20% during the early 1980's, and industrial development in the state was very grim. Mr. Kutschman said he believes that both the Township Board and the City Council have been extremely cognizant of, and responsive to, the needs of this community with respect to this program.

Mr. Kutschman said the program has been brought back to the table on a number of instances; it has been reviewed; and it has been tightened. Rochester Hills was one of the first communities in the State of Michigan to devise a specific set of guidelines for dealing with abatements. Mr. Kutschman said the Township Board and the Council continued to review and to tighten our guidelines, and, as a result of that continual review process, we have reached the point we are at today.

Mr. Kutschman said the fact that no business owners appeared tonight to contest this proposal is indicative of their understanding of the position the Council is attempting to take.

Mr. Kutschman said he is proud of the way Rochester Hills has handled its abatement program, and he noted that a number of cities have modeled their programs after the one we developed. Mr. Kutschman said he believes the members of the Council and the members of the former Township Board should be proud of the municipality's involvement in a model program.

MOTION by Karas, seconded by Jolly,

WHEREAS, the Rochester Hills City Council is desirous of gaining greater control in the selectivity of granting property tax abatements in the future, which can only be achieved through the elimination of existing Industrial Development Districts; and *

WHEREAS, it is understood that revocation of Industrial Development Districts will not affect existing Industrial Facilities Exemption Certificates issued in the city;

NOW, THEREFORE, BE IT RESOLVED, that the Rochester Hills City Council rescinds and revokes the Industrial Development District designations established on all properties located in the City of Rochester Hills, Oakland County, Michigan, in accordance with Public Act 198 of the Public Acts of the State of Michigan of 1974, as amended, said properties affected being located in Industrial Facilities Tax Districts 1, 2, 3, 4, 5, 11, 12, 13, 14, 15, 16, 17, 18, 20, 22 and 23, more particularly described in Exhibit "A" attached to a certified copy of this Resolution on file in the Department of Assessing of the City of Rochester Hills.

Discussion:

Mr. Jolly said the City of Rochester Hills has been a leader in the state in terms of governing and establishing guidelines for tax abatements.

Mr. Baron said the action tonight does not terminate tax abatements in Rochester Hills and that an avenue for obtaining tax abatements remains available.

Mr. Kutschman said the proposed resolution would give the city authority to say "no" to an abatement request. If an application were filed for a parcel located within an established IDD, and if the applicant met the minimum criteria of the law, then a denial of an abatement by the City Council would be overruled by the State Tax Commission.

Mr. Kutschman said a business or industry would have no right to appeal to the state if the city were to deny a request to create a new district. The proposal tonight would not change the city's abatement policy. Tax abatements will still be available in Rochester Hills; however, in order to receive an abatement, an applicant must show that his business will provide benefits to this community significant enough to serve as an incentive for granting the abatement. *

President Snell said tax abatements are available under state law regardless of what action the Council takes tonight.

Mr. Jolly said he believes the actions the city has taken regarding abatements in the past few years have sent a message to the business community. Mr. Kutschman concurred and noted that the city has received no abatement requests in quite some time, despite the construction of 50-60 industrial buildings in that same period.

President Snell said that, with the possible exception of the GMF Robotics request, he does not recall any public hearing on a tax abatement request during which members of the audience (other than the applicant) chose to comment either pro or con.

Mr. Kutschman said that, since the program was instituted in 1979 and with the exception of the GMF Robotics request, he cannot recall any negative comments from the general public regarding any proposed tax abatements under consideration by the Township Board or the City Council. Mr. Kutschman said he believes the GMF issue drew some public criticism for reasons other than tax abatement.

President Snell reiterated, and Mr. Kutschman concurred, that the general public did not offer criticism of the granting of proposed abatements during the official public hearings held to receive public comments.

Ms. Glass said she personally expressed a dislike for tax abatements when she was president of the Rochester Hills Inter Association Council. Ms. Glass said she heard a lot of comments, which may not have been brought to the city, from a lot of people who were upset about the continuing granting of abatements. Ms. Glass said she does recall that the Council did "pare down" the amounts of abatements and the number of years granted, and she said the people she heard from were receptive to those limitations.

Lauren Shepherd, 624 Sorbonne Drive, said she has talked to Mr. Kutschman regarding her concerns about the granting of abatements and she believes she spoke against abatements at one Council meeting.

It is recorded, the Council voted on Mr. Karas' motion:

Ayes: Baron, Carvey, Glass, Jolly, Karas, Snell, Tull
Nays: None
Absent: None

MOTION CARRIED

~~Public Hearing - Economic Development Corporation Project (Cardell Project Plan) (Council Members received copies of the public hearing notice; location maps; an October 11, 1988 memo from Len Kutschman; the Project Plan; a letter of credit from Comerica Bank; and the proposed resolution.)~~

~~Mr. Kutschman introduced the applicant, Willard B. McCardell, President of Cardell Corporation, 1785 Northfield, Rochester Hills.~~

~~Mr. Kutschman said the Project Plan proposes the issuance, through the Economic Development Corporation of City of Rochester Hills ("the EDC"), of revenue bonds in the maximum principal amount of \$5 million for the financing of the rehabilitation of existing Cardell Corporation facilities, the construction of a new facility, and the financing of machinery and equipment inherent with that project. In no event would the bonds be payable by the EDC, the City of Rochester Hills, Oakland County or their taxpayers.~~

~~Mr. Kutschman said the proposed new facility has site plan approval and is located in the Northfield Industrial Park. Mr. Kutschman said the bonds would be issued in an actual amount of \$4.375 million. The EDC would take final action on this Project Plan tomorrow evening, if the Council approves the Plan tonight.~~

~~Mr. McCardell said his firm is heavily engaged in engineering. One of the main purposes of the new building is to expand the company's engineering operations. Mr. McCardell said he believes the company brings quality jobs to the city. If the Project Plan is approved, part of the financing will be used to install state-of-the-art equipment.~~

~~At 8:06 p.m., President Snell declared the Public Hearing to be open and asked if anyone in the audience wished to address the Council on this item. Hearing and seeing none, President Snell declared the Public Hearing to be closed at 8:06 p.m.~~

~~Ms. Glass said, and Mr. Kutschman concurred, that no city funds will be used if the Project Plan is approved, and that the city would have no liability in the event the Cardell Corporation defaulted on its repayment obligations. Mr. Kutschman said the EDC is issuing the bonds in order to allow a tax-exempt status for the lender to offer a lower interest rate on the bonds and to give the business a financial incentive to create jobs in our city.~~

~~In response to Ms. Glass' question, Mr. McCardell estimated that about 20 jobs will be added in the next 18 months. Presently, the Cardell Corporation employs 98 people.~~

~~Mr. Tull asked what, if anything, Cardell Corporation does to avoid inconveniences caused by heavy traffic on Crooks Road.~~