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October 10, 2016

VIA ELECTRONIC MAIL

Mr. Joe Snyder, Chief Financial Officer  
City of Rochester Hills  
1000 Rochester Hills Drive  
Rochester Hills, Michigan 48309

Re: *Subdivision Street Lighting Policy*

Dear Mr. Snyder:

Months ago, the City Council refrained from taking action on the proposed new subdivision street lighting policy presented by former Finance Director Keith Sawdon due to several questions raised by a City Councilmember. You would like to revisit that proposed new street lighting policy with the Public Safety and Infrastructure Committee, and you have asked for my response and opinion concerning the questions raised.

The proposed new policy would handle all new requests for street lighting through a special assessment process. The Home Rule Cities Act, at MCL 117.4d(1) expressly authorizes cities to specially assess for a boulevard lighting system. The proposed new policy also aims to convert the City's current subdivision street lighting arrangements to special assessment districts for those subdivision associations willing to do so. There purportedly are cost benefit inducements to both the City and the subdivision association to convert to an SAD for street lighting.

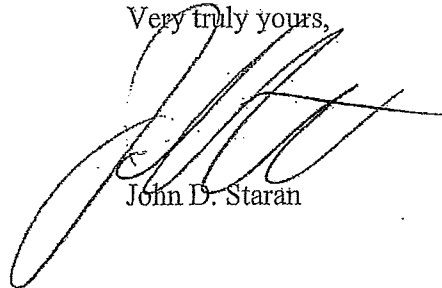
The City Council's questions relate to whether the conversion to SAD's for street lighting will expose the City to any risk of not getting paid. Specifically, the concern was expressed that if a homeowner successfully appealed his/her lighting special assessment, the City could be left with a shortfall that the City at-large would have to pay to DTE Energy. I think that risk is minimal and manageable for the following reasons:

- The proposal to convert to a lighting SAD is, at least at the onset, ostensibly for a cost-savings for the homeowners, not a cost increase.

- The amount of the individual special assessment for lighting will be relatively small and unobjectionable. The homeowners will already be accustomed to paying the assessments under the existing street lighting arrangements. The small individual assessments are not likely to impel homeowners to challenge the lighting assessment. And, because the individual assessments will be small, the City should have little difficulty establishing special benefit or proportionality – the two primary legal challenges made to special assessments.
- In order to file a legal challenge to a special assessment, the homeowner must first formally protest the assessment at the public hearing on necessity or at the public hearing on confirmation of the special assessment roll. So, the City will have some awareness as the special assessment process unfolds whether there are likely to be challenges.
- Unlike a road or a building improvement where after it is constructed it is permanent and the City is obligated to pay off the cost, street lighting assessments will be for ongoing service, and the cost is not incurred until that service is provided. At any time the City can decide to suspend or terminate street lighting in a particular subdivision and thereby not incur any more charges from DTE. So, that also makes the City's risk manageable because the City is not obligated to continue the service indefinitely. If there are payment problems, the City can nip those in the bud by terminating the service and not incurring any more lighting charges from DTE.

If you have any further questions or would like to discuss this further, feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "John D. Staran", written over a horizontal line.

John D. Staran

JDS/ijd