



Rochester Hills Minutes City Council Work Session

1000 Rochester Hills Drive
Rochester Hills, MI 48309
(248) 656-4660
Home Page:
www.rochesterhills.org

*Erik Ambrozaitis, Jim Duistermars, Barbara Holder, Greg Hooper,
Linda Raschke, James Rosen, Ravi Yalamanchi*

Wednesday, February 7, 2007

7:30 PM

1000 Rochester Hills Drive

DRAFT

CALL TO ORDER

President Rosen called the Rochester Hills City Council Work Session Meeting to order at 7:34 p.m. Michigan Time.

ROLL CALL

Present: Erik Ambrozaitis, Barbara Holder, Greg Hooper, Linda Raschke, James Rosen and Ravi Yalamanchi

Absent: Jim Duistermars

Others Present:

*Ed Anzek, Deputy Director of Planning/Development
Bryan Barnett, Mayor
Dan Casey, Manager of Economic Development
Kurt Dawson, Director of Assessing/Treasurer
Jane Leslie, City Clerk
Roger Rousse, Director of DPS/Engineering
Leanne Scott, City Council Coordinator
John Staran, City Attorney
Doug Walther, Deputy Director of Assessing*

PLEDGE OF ALLEGIANCE

REVIEW OF AGENDA

PUBLIC COMMENTS

Mr. Paul Miller, 1021 Harding Avenue, expressed his concern about the City's handling of the Grand Sakwa Consent Judgment in general, and specifically about the City's obligation to fund a ring road on the development at the cost of \$2.5 million in cash and services credits.

Ms. Lois Golden, 645 Apple Hill Lane, also expressed her concern over the oversight of the \$2.5 million for the ring road construction. She asked that a full report be made public and that it include attorney fees associated with the Consent Judgment.

(Mr. Duistermars Entered at 7:56 p.m.)

Present: Erik Ambrozaitis, Jim Duistermars, Barbara Holder, Greg Hooper, Linda Raschke, James Rosen and Ravi Yalamanchi

LEGISLATIVE AND ADMINISTRATIVE COMMENTS

Ms. Holder requested that going forward City administration provide updates as to the process or changes to projects associated with Consent Judgments. While acknowledging that there were questions to be addressed, she stressed that the Grand Sakwa Consent Judgment is a public document, which states that the \$2.5 million would be paid in both credits and cash. She further cautioned that, as the elections approach later in the year, some people may use the public comment portion of Council meetings for campaigning purposes. She urged residents with questions or concerns to seek answers from Council members or City staff.

Mr. Ambrozaitis expressed his concern that Council was not made aware of the \$2.5 million sooner. He then asked City administration to look into an apparent flooding problem at Riverbend Park. He further noted that he would not consider the construction of water towers in the City until he received more information about a new water pipeline proposed by the Detroit Water and Sewerage Department, as well as the results of an investigation about possibly routing water from Pontiac to Rochester Hills. He then noted that the City needs to begin regionalizing and streamlining services.

Mayor Barnett announced that the Fire Department had received a grant from Homeland Security of approximately \$50,000. With regard to the Grand Sakwa issue, he assured Council members they would be receiving a full report by the next week. He then clarified that there was never any intention to build water towers, but rather water reservoirs, which rise no higher than ten to fifteen feet above ground level. He noted that the concept of consolidating services is very complex. He stated he is anxious to see the results of the State's upcoming budget and its impact on revenue sharing. He then introduced Mr. Rouse to address the matter of flooding at Riverbend Park.

Mr. Roger Rouse, Director of DPS/Engineering, while providing photos, explained that a logjam had developed in Riverbend Park causing flooding and sanitary sewer overflows. He described the complexity of correcting the problem, noting that the terrain was making it difficult to access the area with the appropriate equipment and that the City was working with the Michigan Department of Environmental Quality to avoid damage to the natural features of the area.

PRESENTATION

2007-0101 DPS Facilities Update, Roger Rouse, Director of DPS/Engineering, presenter.

Attachments: Agenda Summary.pdf; 020107 Agenda Summary.pdf

Mr. Roger Rouse, Director of DPS/Engineering, provided an update of the construction of the new DPS Facility, noting that despite a delay to investigate the topsoil, the project is on schedule. He noted that some soil needed to be removed to a landfill, but the remaining is good quality and can be used for fill on other sites. He further noted that contracts have been awarded for many aspects of the project such as asphalt paving, HVAC, painting, roofing, plumbing, etc. He stated that the foundation would be poured in February, with the steel structure soon to follow.

Council requested that they receive this type of update every other month.

PUBLIC COMMENT:

Ms. Melinda Hill, 1481 Mill Race, requested that these updates include costs and questioned whether the project was on budget.

Mr. Rouse noted that bids were coming in very close to how they were budgeted and that the project is on track for a December completion date.

Presented**2007-0102**

Update on the Sanitary Sewer Evaluation Study (SSES), Roger Rouse, Director of DPS/Engineering, presenter.

Attachments: Agenda Summary.pdf; Sanitary Rehabilitation Program.pdf

Mr. Roger Rouse, Director of DPS/Engineering, explained the Sanitary Sewer Evaluation Study (SSES) Program, noting the following:

- There are many regulations that govern the City's work on sanitary sewers and water systems, including the Safe Water Act, which has very strict guidelines.
- There are continuing updates of the storm sewer program to ensure the system is being properly maintained.
- There is a balance between the desired level of service and diagnostic maintenance and prevention.
- The SSES is a two-leg program:
 - 1) Diagnostic and preventive maintenance
 - 2) Rehabilitation
- If spending on diagnostics and maintenance is below optimum levels, there are two options:
 - 1) Decrease service levels
 - 2) Increase rehabilitation and reactive maintenance
- The City continually works to balance service levels with regulatory requirements and efficient operations.
- The SSES Program is designed to evaluate the system one year and then perform rehabilitation and reactive or preventive maintenance the next year.
- The original estimated cost for the SSES Program was \$2 million, but was reduced to \$1 million based on issues with water rates and current staffing levels.
- It is assumed that preventive maintenance programs are less expensive than reactive programs.

Ms. Holder questioned why the City uses contractual services for the program.

Mr. Rouse explained that, although there are City employees involved in the program, the volume of work needed is much greater than what the City's employees can produce. The City is not equipped to deal with the heavy construction aspect of the program such as large-scale reconstruction and rehabilitation. The City does power flushing and televising of sewer lines for diagnostic purposes.

Mr. Hooper questioned what percentage of the water system is televised each year.

Mr. Rouse noted that he did not have the information at hand, but could provide that information to Council following the meeting. He indicated that the City had purchased its own televising equipment and the crews are out three quarters of the time, with the work escalating.

Mr. Ambrozaitis asked if Spaulding DeDecker would be used for this program, and praised the company for work they had done in his subdivision.

Mr. Rousse explained that Spaulding DeDecker had been involved in the original evaluation program, but noted that the work must be bid through the City's open, competitive process.

Discussed

2007-0084

Understanding Property Taxation - Assessments to Taxes, Kurt Dawson, Director of Assessing/Treasury, presenter

Attachments: Agenda Summary.pdf; Presentation.pdf; 012607 Free Press Article.pdf; M Avery Spreadsheets.pdf

Mr. Kurt Dawson, Director of Assessing/Treasurer, and Mr. Doug Walther, Deputy Director of Assessing, provided the following presentation information:

Understanding Property Taxation: Assessments to Taxes

Introduction

- Explain the basic process involved in developing an individual's or business' tax bill.
- Explain the impact of the Headlee Amendment and Proposal A.
- Cover the development of the State Equalized Value, the Taxable Value, the Millage Rate and, ultimately, the Property Tax generated.
- Address some questions that may arise with regard to a declining real estate market and its impact on property taxes.

Assessment/Tax Functions are Governed by:

- Michigan Property Tax Law, Act 206, 1893, as amended.
- General Rules of the State Tax Commission (STC).
- General Rules of the State Assessor's Board (SAB).
- General Rules of the Michigan Tax Tribunal (MTT).
- Rochester Hills City Charter.

Overview

- As a whole, Property Tax Administration is becoming more complex.
- The Fundamentals of the process are Basic and Understandable.

Headlee Amendment

- The Headlee Amendment, amended the State Constitution in 1978.
- Requires that increases in a local taxing authority's property tax revenues from existing property not exceed the rate of inflation.
- In years where the tax base increases more than the rate of inflation, property tax millage rates are reduced, or rolled back, to keep from exceeding the revenue limit.
- This rollback does not apply to millages levied for "debt."
- Also, the revenue growth resulting from new development is not limited by the Headlee calculation.

- The Headlee limitation is applied to each taxing authority as a whole while the Proposal A limitation calculation is applied to each individual parcel.

Proposal A

- Approved by the voters of the State of Michigan, March 15, 1994.
- Starting in 1995, property taxes have been calculated using Taxable Value rather than State Equalized Value. The SEV is directly related to the Fair Market Value of the property.
- Proposal A implemented a cap on the annual growth in Taxable Value for each individual parcel of property.
- What has not changed is the method of computing Assessed Value and the system of county and state equalization.
- The uniformity provisions of the 1963 Michigan Constitution still apply. As a result, properties of similar value across the State of Michigan must still have similar Assessed Values. However, there is no uniformity of TVs.

Definitions

- Tax Day is December 31st for the following assessment/tax year. It is the date upon which the location of movable property and the status of all property is determined for valuation purposes.
- Assessed Value still represents 50% of the assessor's opinion of market value.
- County Equalized Value (CEV) represents 50% of the property's value following County Equalization.
- County Equalization is a process of ensuring the valuations between local units of government within a county are equitable and do not exceed 50% of True Cash Value.
- State Equalized Value (SEV) represents 50% of the property's value following State Equalization.
- State Equalization is a process of ensuring the valuations between Counties are equitable and do not exceed 50% of True Cash Value.
- Capped Value, a new term established by Proposal A, represents the limitation in taxable value growth from year to year in the following formula:
 - * $2007 \text{ capped value} = (2006 \text{ Taxable Value} - \text{Losses}) \times 1.037 + \text{Additions}$
 - * The inflation rate multiplier is limited to a maximum of 5.0%.
 - * 1.037 is the inflation rate multiplier published by the State.
 - * The capped value is a mathematical calculation the assessor can't change.
 - * Losses are physical items removed from the property (e.g. garage).
 - * Additions are physical items added to a property (e.g. garage).

- Taxable Value is the lesser of the Assessed Value, as equalized, and the Capped Value. In other words, the Taxable Value can be equal to or less than the SEV.

- Uncapping is a process that takes place in the year following a "transfer of ownership" whereby the taxable value will be the same as the SEV. The growth in Taxable Value of transferred properties will then be capped again in the second year following the "transfer of ownership."

- Property Tax Levy Formula:
 - * $\text{Parcel's Property Tax Levy} = \text{Taxable Value} \times \text{Authorized Millage Rate}$

- Millage Rate is the tax levy expressed in dollars per thousand of taxable value (example: 100,000 TV times 9 mills = \$900,000 or 100,000 TV times .009 or 100 times 9 mills).

- Principal Residence Exemption (Homestead) is an exemption from the levy of the 18 mills for school operating for a homeowner's qualifying principal residence. A Homeowner's Principal Residence Exemption Affidavit, Form 2368, must have been filed to qualify for this exemption. Rentals and business property pay the additional 18 mills.

Process of Developing the Assessed Value (AV)

- Process of setting 2007 AV & TV

- State Tax Commission approved sales study options:
 - 2 year, sales 04/01/04 - 03/31/06
 - 1 year sales 01/01/06 - 12/31/06

- Declining Real Estate Market

- 1 year AV/SP Ratio = 50.81%

- On average, reducing AVs for 2007

- Sales used in the Sales Study:
 - * Must be representative of an open market transaction under all conditions of a fair sale.

- Sales that do not represent a Fair Market Value:
 - * Sales without adequate market exposure
 - * Sales with partial assessments
 - * Sales between related parties
 - * Sheriff's sale
 - * Foreclosures
 - * Auction sales

- Assessors are required to use Mass Appraisal Valuation Techniques.

- Assessor's can't "chase" sales.

- Sale price is not synonymous with Market Value.

- Usual selling price.

- Individual values as of Tax Day, 12/31.
- Assessor's responsibility - distribute the value changes, as determined by the sales study, equitably throughout the community.
- 180 Economic Areas, neighborhoods
- State approved Cost Manual.
- State certified and trained staff.
- Ongoing door-to-door reappraisal program done on an as needed basis.
- Perform property analysis and computer assisted audit reports.
- 2007 Sales Ratio for the City of Rochester Hills is 50.81%, using the one-year sales study.
- Value set for each assessable property as of Tax Day, 12/31/2006.
- Adjustment to get to 50% for residential property equates to an approximate \$75 million reduction in the City's SEV.
- At the same time, the residential 2007 Taxable Value is estimated to increase by approximately \$57 million.
- Assessment Change Notice, mid-February.
- Assessor's Review until March 5th.
- March Board of Review:
 - * Organizational Meeting, March 6th
 - * Board of Review Hearing, March 12th - 14th
 - * Board must complete review by April 2nd
- Michigan Tax Tribunal:
 - * July 31st for Residential & Agricultural
 - * May 31st Commercial & Industrial real & personal property

Process of Developing the Taxable Value (TV)

- Taxable value is the lower of the State Equalized Value or capped value.
- Taxable value can never be greater than the State Equalized Value.
- There is no uniformity between taxable values since Proposal A.
- Capped Value (CV):
$$(Prior\ Year\ TV - Losses) \times CPI + Additions$$
 - * The inflation rate multiplier is limited to a maximum of 5.0%.
 - * 1.037 is the 2007 inflation rate multiplier established by the State.
 - * Losses are physical items removed from the property (e.g. garage).
 - * Additions are physical items added to a property (e.g. garage).
- The capped value is the result of a mathematical formula the assessor has no control over. The valuation of losses and additions may be challenged.

Process of Establishing the Millage Rate

- 1978 Headlee Amendment:

- * Limits property tax revenue growth of taxing authority as a whole.
- * If revenue growth exceeds inflation rate, millage rate is rolled back.
- * Rollback not applied to "debt" millages.
- * Headlee is not impacted by new development.
- * Proposal A limits individual property tax growth to inflation.
- * Property uncappings create Headlee Rollback.

- Headlee Calculation for 2006

$$\frac{(2005 \text{ Total Taxable Value} - \text{Losses}) \times \text{Inflation Rate}}{(2006 \text{ Total Taxable Value Based on SEV} - \text{Additions})}$$

OR

$$\frac{(3,401,975,910 - 12,557,676) \times 1.033}{(3,602,018,960 - 68,715,730)}$$

OR

.9909 rounded to four decimal places, can't exceed 1.0000.
There is no roll-up of the authorized millage rate.

- Headlee Rollback a result of "uncappings."
- City sets millage rates by September 30th.
- City approved rates delivered to County Clerk on or before September 30th.
- Millage approved after May 31st, no Headlee Rollback for that year's levy
 - * Post-May 31st: RARA (08/08/06) & Pathway (11/07/06)

- 2006 Millage Rates:

Rochester School District
30.4855 - Homestead Rate
48.4855 - Non-Homestead Rate

Avondale School District
34.1494 - Homestead Rate
50.8991 - Non-Homestead Rate

Rochester School District, Homestead Rate

*Summer Levy = 16.3434 mills (53.61%)
Lien 07/01/2006, Due 09/14/2006*

*Winter Levy = 14.1421 mills (46.39%)
Lien 12/01/2006, Due 02/14/2007*

- *Following are some examples of Property Tax Calculations under different scenarios:*

** Assumptions, for all examples:*

*Rochester School District
Principal Residence Exemption (Homestead)
2006 Millage Rate 30.4855 (Rate per 1,000 TV)
2007 Millage Rate 30.4855 (Est. Same)
2007 Inflation Factor 1.037
Tax Day, 12/31/05, Est. Market Value \$240,000
2006 AV & SEV 120,000 (1/2 of Market Value)
2006 TV 85,000*

Examples of Tax Calculations

- *Property Transfer in 2005, uncapping for 2006, and then experiences 5% value decline for 2007*

*2006 AV, SEV & TV = 120,000 (uncap)
2006 Taxes 120,000 x 30.4855 Mills = \$3,658.26
2007 AV & SEV decrease 5% to 114,000
2007 CV = (120,000 - 0) x 1.037 + 0 = 124,440
2007 TV = 114,000
2007 Taxes = 114,000 x 30.4855 Mills = \$3,475.35
A tax reduction of \$182.91 (5%)*

- *No Property Transfer and the property experiences a 5% value decline for 2007*

*2006 AV, SEV = 120,000
2006 TV = 85,000
2006 Taxes 85,000 x 30.4855 Mills = \$2,591.27
2007 AV & SEV decrease 5% to 114,000
2007 CV = (85,000 - 0) x 1.037 + 0 = 88,145
2007 TV = 88,145
2007 Taxes = 88,145 x 30.4855 Mills = \$2,687.14
A tax increase of \$95.87 (3.7%)*

- *Property Transfer in 2006, uncapped for 2007, and the property value declines 5% for 2007*

*2006 AV, SEV = 120,000
2006 TV = 85,000
2006 Taxes 85,000 x 30.4855 Mills = \$2,591.27
2007 AV & SEV decrease 5% to 114,000
2007 CV = (85,000 - 0) x 1.037 + 0 = 88,145
2007 AV, SEV & TV = 114,000 (uncap)
2007 Taxes = 114,000 x 30.4855 Mills = \$3,475.35
Market value decreased 5% while the tax increased 34.12% over what the prior owner was paying.*

Impact on City of Rochester Hills

Year 2006

4,184,283,990 - Total AV
 3,602,018,960 - Total TV
 13.92 - % Value Non-Taxable
 5.88 - % Increase in TV
 .9909 - Headlee Rollback
 3.3% - Inflation
 1.65% - Net New
 4.95% - Sub Total
 0.93% - Uncappings
 5.88% - Total
 .9909 - Headlee

Year 2005

4,012,356,450 - Total AV
 3,401,975,910 - Total TV
 15.21 - % Value Non-Taxable
 5.30 - % Increase in TV
 .9941 - Headlee Rollback
 2.3% - Inflation
 2.41% - Net New
 4.71% - Sub Total
 0.59% - Uncappings
 5.30% - Total
 .9941 - Headlee

Year 2004

3,827,411,860 - Total AV
 3,230,824,070 - Total TV
 16.72 - % Value Non-Taxable
 5.41 - % Increase in TV
 .9925 - Headlee Rollback
 2.3% - Inflation
 2.38% - Net New
 4.68% - Sub Total
 0.73% - Uncappings
 5.41% - Total
 .9925 - Headlee

Year 2003

3,642,048,760 - Total AV
 3,064,862,240 - Total TV
 15.85 - % Value Non-Taxable
 5.31 - % Increase in TV
 .9939 - Headlee Rollback
 1.5% - Inflation
 3.20% - Net New
 4.70% - Sub Total
 0.40% - Uncappings
 5.10% - Total
 .9939 - Headlee

- Residential Property Sales Study:

Calendar Year 2006 Time Frame

583 - # of Sales
 \$152,681,385 - Aggregate Sales Value
 \$261,889 = Average Sale Price
 0.9841 - Equalization Factor

*04/01/05 - 03/31/06 Time Frame**888 - # of Sales**\$245,918,495 - Aggregate Sales Value**\$276,935 = Average Sale Price**1.0253 - Equalization Factor**04/01/04 - 03/31/05 Time Frame**1,075 - # of Sales**\$290,303,901 - Aggregate Sales Value**\$270,050 = Average Sale Price**1.0292 - Equalization Factor**04/01/03 - 03/31/04 Time Frame**1,003 - # of Sales**\$262,100,510 - Aggregate Sales Value**\$261,317 = Average Sale Price**1.0341 - Equalization Factor**- Sales Study Volume and Indicated Turnover Rate:**2006 Calendar Year Tax Year**583 - # of Sales**22,545 - # of Residential Imp. Parcels**2.59 = % Residential Sales**2006 Tax Year**888 - # of Sales**22,281 - # of Residential Imp. Parcels**3.99 = % Residential Sales**2005 Tax Year**1,075 - # of Sales**22,091 - # of Residential Imp. Parcels**4.87 = % Residential Sales**2004 Tax Year**1,003 - # of Sales**21,833 - # of Residential Imp. Parcels**4.59 = % Residential Sale**2003 Tax Year**1,036 - # of Sales**21,483 - # of Residential Imp. Parcels**4.82 = % Residential Sale***Impact on City of Rochester Hills**

- Property Taxes represent roughly 50% of the General Fund Revenues.*
- 2006 General Fund Tax Levy (3.722) not at the Maximum Authorized Rate (3.9132).*
- Proposal A limits revenues growth in economic good times and softens the negative economic impact on the City in poor economic times.*
- Inflation and non-taxable SEV are key components in the tax revenue equation.*

Mr. Dawson, Mr. Walther and City Attorney John Staran provided further clarification of the following in response to questions posed by Council members and **Resident Mark Avery, 1871 Fair Oak Court:**

- December 31st is set as tax day by State law and cannot be changed by City Council.
- The City has the option of using either a two-year or one-year sales study to determine Assessed Value; the two-year study is more advantageous to homeowners during good economic times; the one-year study is more beneficial during poor economic times.
- The City uses State-approved cost manual software to adjust for differences between similar properties (i.e. identical homes where one does not have a garage).
- The Assessing Department receives sales studies on a quarterly basis and then sends appraisers into the field to review those sales to determine the circumstances.
- The data collected for all sales is given to the County to assist in establishing which sales are to be considered representative.
- The more sales in the study, the more accurate the results, however, sales are currently down.
- Bank appraisals performed for mortgage purposes are different from appraisals performed by the City's Assessing Department.
- City Council has no jurisdiction over this process, it is governed by general Property Tax Law and State Tax Guidelines.
- The job of the Assessor is to uniformly and fairly distribute the value as accurately as possible down to the masses.
- The system is not perfect and, thus, offers a review process on a one-on-one basis.
- There is no way to know if a value is off on December 31st until or unless there is an actual subsequent sale during the ensuing year.
- The City is required by law to use the one- or two-year sales study; in declining markets the one-year sales study is most indicative of market value on December 31st.
- Sales occurring after December 31st can be considered during the March Board of Review.
- The Board of Review can only make changes on individual parcels, not on entire neighborhoods.
- The City does mass appraisals and mass adjustments because it is dealing with 22,000 parcels; the Board of Review and Michigan Tax Tribunal look at matters on an individual basis.
- There have been cases where a number of properties in a single neighborhood have been adjusted, indicating neighborhood-wide problem, and the entire neighborhood has been readjusted.
- Taxes are based on the previous year's values, therefore, the numbers for 2007 are based on 2006 values.
- The City is restricted to a certain timeframe of sales that are used to judge the assessments; thus, if the market is rising, assessments are likely to be lower than they should be and, conversely, assessments would be higher when the market is dropping.

- A resident who recently purchased his home is more likely to see his taxes decline as his value declines, whereas a resident who has been in his home longer and who has a greater spread between his Assessed Value and his Taxable Value is unlikely to see a decline for several years.

- If residents believe that their taxes are too high as a result of their house being valued too high then they must follow the judicial process and that begins with the Board of Review.

- The wide gaps between Assessed Value and Taxable Value for long-time homeowners and small or no gaps for short-time homeowners are an unfortunate drawback to Proposal A.

- A change to the State Constitution would be necessary to correct the issue of these uneven gaps in Assessed Value and Taxable Value.

- The process for disputing a tax assessment is the City Board of Review, then the Michigan Tax Tribunal, and finally the Court of Appeals.

- The Taxable Value can never go higher than the State Equalized Value, however, they can meet.

Council members thanked Mr. Dawson and Mr. Walther for their very informative presentation, and Mr. Avery for bringing the discussion to the forefront. They stressed that it is important that everyone understand the assessing process and that declines in real estate will impact the City's budget in the future.

PUBLIC COMMENT:

Mr. Vince Robinson, 1487 Antler Court, noted that, although he is not in the market to sell his home, due to current economic conditions, he has lost "thousands and thousands of dollars" in the value of his home.

Mr. Paul Miller, 1021 Harding Avenue, noted that if a homeowner is not satisfied with the results of the City Board of Review, he or she could take appraisals of appropriate comparables to the Michigan Tax Tribunal and have the assessment reduced. He then noted that unique properties, such as those with steep slopes or within historic districts, should only be evaluated as compared to equally unique properties.

Mr. Dawson noted that if such comparables are available, they are taken into consideration.

Mr. Dave Brockman, 3573 Winding Brook Circle, questioned whether the sales numbers for condominiums are worse than for homes, and asked how the Assessing Department defines a neighborhood.

Mr. Dawson did not have the specific data for condominiums but noted that Assessment Change Notices would be sent to residents the next week. He explained that neighborhoods consist primarily of subdivisions built at approximately the same time, with similar types of homes.

Ms. Anne Borowicz, 962 Peach Blossom Lane, asked what determines a fair open market transaction if a home is sold on a Quit Claim Deed.

Mr. Dawson and **Mr. Staran** explained that a Quit Claim Deed is considered a valid transaction, but the "seller" is only conveying the rights they have to the property. The Assessing Department would need to determine that no party in the transaction was acting under duress.

COUNCIL DISCUSSION:

Mayor Barnett questioned how all of the homes would be assessed in a new residential development if homes were sold later in the project for substantially less than the first homes purchased.

Mr. Dawson explained that the assessments of those earlier homes would be adjusted to the value of the homes sold at the reduced cost.

Mayor Barnett noted that he would be curious to know how Rochester Hills' assessments compare to the other communities throughout Oakland County.

Mr. Ambrozaitis stressed that the Council and Administration need to plan for a reduction in tax revenue as a result of this decline in property values. He also stressed that efforts must be made to protect property values in the form of an improved blight ordinance.

Mr. Duistermars noted that the City is following the law and that any change to the system would need to be initiated by State Legislators.

President Rosen thanked Mr. Dawson and Mr. Walther for their presentation as well as the residents who participated in the discussion.

Ms. Raschke announced that the Building Department would be hosting a Homeowner's Association Forum on February 22nd that would include information about the tax assessing process as well as the blight ordinance issue.

Presented

(Recess at 10:14 p.m. - 10:31 p.m.)

ADMINISTRATION

2006-0883 Request for Final Site Condominium Plan Approval - City File No. 05-006 - Hickory Ridge Site Condominiums, a 50-unit development located east of Livernois and south of Hazelton, zoned R-4, One Family Residential, Parcel Nos. 15-34-151-012, -014, -016, 15-34-176-001, 15-34-301-002, -007, -010, -012, Bluewood Properties, applicant

Attachments: Agenda Summary.pdf; Map.pdf; Staff Report.pdf; 120506 PC Minutes.pdf; Site Plans.pdf; Resolution.pdf

Mr. Ed Anzek, Director of Planning/Development, noted that there had been no changes from the Preliminary Site Condominium Plan that Council had reviewed in May of 2006.

Ms. Carol Thurber of Fazal Khan & Associates, Inc., 43345 Schoenherr, Sterling Heights, Engineer for the applicant, was present to answer questions.

Discussed

2006-0953 Request for Sidewalk Waiver - City File No. 05-006 - One unit on Shortridge (Unit 42) in the Hickory Ridge Site Condominium development east of Livernois, south of Hazelton

Attachments: Agenda Summary.pdf; By-Laws.pdf; Resolution.pdf

Mr. Ed Anzek, Director of Planning/Development, explained that the applicant was seeking a Sidewalk Waiver for a single lot on Shortridge Drive as there are no sidewalks on

Shortridge east of this property and it is highly unlikely there will be development west of the property due to wetlands. He assured Council that, should a sidewalk become necessary in the future, it had been included in the Master Deed that the owner will be responsible for the cost at that time.

Ms. Carol Thurber of Fazal Khan & Associates, Inc., 43345 Schoenherr, Sterling Heights, Engineer for the applicant, was present to answer questions.

Discussed

2007-0070

Request for Variance from the Tree Conservation Ordinance - City File No. 99-031 - Saddlebrook Orchards, a ten-unit, single-family condominium development on 4.99 acres, located north of Auburn Road and east of Crooks Road, identified as Parcel No. 15-28-300-029, zoned R-4 , One Family Residential, Brookfield, LLC, applicant

Attachments: Agenda Summary.pdf; Map.pdf; Letter Carthiew Law Firm.pdf; Memo.pdf; Site Plans.pdf; Resolution.pdf

Mr. Ed Anzek, Director of Planning/Development, explained that, although the developer had met all requirements, due to the devastation caused by the Emerald Ash Borer on Ash trees in the City, Brookfield LLC would no longer meet the 37% requirement of the City's Tree Conservation Ordinance by seven trees and were, therefore, requesting a variance.

Mr. Paul Carthew, Carthew Law Firm, PC, 115 Walnut Boulevard, Rochester, Attorney for the applicant, stated that strict compliance with the ordinance would pose a hardship on the developer, as it would delay the project and require reengineering that would likely result in the loss of one lot and, thus, a loss of income. He stressed that the difficulty was the result of an "act of God" and that the developer was willing to add additional trees to the current plan to meet the ordinance.

Mr. Ambrozaitis questioned what would be the price point for these condominiums.

Mr. David Kohl, Brookfield, LLC, 70 Grey Road, Auburn Hills, appearing on behalf of the applicant, stated the condominiums would likely sell for between \$350,000 and \$400,000.

Mr. Ambrozaitis noted that, while he is concerned for the environment, he did not think it was necessary to delay this development over seven trees.

Mr. Yalamanchi agreed, but questioned whether there would be further development to the east and west of the site.

Mr. Anzek explained that there were large developments in progress on either side of Saddlebrook Orchards as well as three narrow parcels of land zoned residential that could accommodate a single loaded street of approximately six or seven homes, although there were currently no plans for development of those parcels.

Discussed

2007-0082

Request for Purchase Authorization - PLANNING: Zoning Ordinance update for the City of Rochester Hills, purchase order in an amount not-to-exceed \$65,000.00; McKenna Associates, Inc., Northville, MI

Attachments: Agenda Summary.pdf; Letter McKenna.pdf; 02-07-07 Agenda Summary.pdf; Resolution.pdf

Mr. Ed Anzek, Director of Planning/Development, explained the request to contract with McKenna Associates for the Zoning Ordinance Update, as they had been instrumental in the update of the Master Land Use Plan (MLUP) and that knowledge would be invaluable in this process, which would be key in implementing the vision of the MLUP. He noted that the Planning Commission had voted unanimously in support of granting this contract to McKenna based on their familiarity with form-based zoning and flex zones as outlined in the MLUP. He explained that it may be necessary for Council to waive the City's Purchasing Ordinance, however, McKenna is included on the City's Quality Based Selection list.

Mr. Ambrozaitis thanked Mr. Anzek for providing information he had requested regarding other firms and asked that he be included in any upcoming meetings with McKenna staff.

Mr. Hooper noted that he felt it was appropriate to retain McKenna for this project as a means of eliminating the learning curve and, thus, saving the City time and money.

President Rosen also agreed with retaining McKenna's services and noted that Council would know by the next meeting whether it would be necessary to waive the Purchasing Ordinance.

Discussed

2007-0065

Request for Purchase Authorization - PARKS/FORESTRY: Contract for 2007 Spring and Fall Street Tree Planting to Michigan Lawn Maintenance, Inc., dba Sherman Nursery Farms, Columbus, Michigan in the amount not-to-exceed \$119,350.00

Attachments: Agenda Summary.pdf; Resolution.pdf

President Rosen noted that this was a routine item approved in the budget process, but which could not be included in the Consent Agenda as it exceeded the \$100,000 threshold.

Discussed

2007-0085

Request to opt out of a tax exemption of personal property acquired in 2006 by Energy Conversion Devices (ECD)

Attachments: Agenda Summary.pdf; Memo Dawson 02-05-07.pdf; ECD Tax exemption.pdf; MNEA Letter & ECD Equipment List.pdf; Public Hearing Notice.pdf; Resolution.pdf

Mr. Dan Casey, Manager of Economic Development, explained that the tax abatement request before Council represented a State incentive plan established by the legislature to try to accelerate the development of alternative energy technologies by providing relief from the tax burden on personal property for research equipment. He noted that this was the third request Energy Conversion Devices (EDC) and Ovonic Battery Company (Ovonics) had made in as many years through the Next Energy Authority (NEA) for certification of new equipment. He stressed that ECD and Ovonics were not necessarily petitioning Rochester Hills for this exemption, but rather were following the process and the NEA notified the City that it has 60 days to opt out of the exemption. He noted the following aspects of the request:

- The City would be making the decision for the Community College, the Intermediate School District and Oakland County as well as Rochester Hills itself.

- The Schools had 60 days to opt out as well.

- A public hearing was required, but Council was not required to pass a resolution scheduling it.
- The investment was small resulting in a potential loss of taxes over the five-year exemption period of \$6,500 for EDC and \$3,000 for Ovonics to all taxing jurisdictions considered.
- The City's total tax loss would be approximately \$4,800 for the five-year period.
- It is likely the City will receive these requests each year of this State incentive program.

Mr. Casey acknowledged that the difficulty with this type of tax abatement program is that communities are asked to relinquish the entire tax revenue that would be generated by the new equipment. Such requests have been met with mixed results in surrounding communities.

Mr. Ambrozaitis and **Mr. Yalamanchi** both expressed an inclination to opt out of this request noting that, although it is a relatively low amount, eventually those dollars "do add up."

Mr. Casey reminded Council that, even if Rochester Hills were to opt out, the companies would still receive relief from the State Education Tax and the 18 operating mills.

PUBLIC COMMENT:

Ms. Melinda Hill, 1481 Mill Race, expressed her support for opting out of the requested abatement.

Mr. Lee Zendel, 1575 Dutton Road, reminded council that the City would only be losing approximately \$950 per year over the five-year period.

COUNCIL DISCUSSION:

Mr. Duistermars noted that while he was very supportive of these two companies, there are limits to these types of requests and expressed support for opting out.

President Rosen indicated that Council consensus appeared to be in favor of opting out of the abatement.

Resident Hill expressed concern that Council appeared to be making decisions on items during Work Sessions rather than discussing and gathering information and then making the final decision at a Regular meeting.

Council members agreed that all items discussed during Work Sessions should be brought back for a final decision at the subsequent Regular meeting.

Discussed

2007-0086

Request to opt out of a tax exemption of personal property acquired in 2006 by Ovonic Battery Company

Attachments: Agenda Summary.pdf; Memo Dawson 02-05-07.pdf; OBC Tax exemption.pdf; MNEA Letter & OBC Equipment List.pdf; Public Hearing Notice.pdf; Resolution.pdf

Discussed during previous agenda item.

Discussed

CITY COUNCIL

2007-0089 Police Funding Proposal Presentation, Greg Hooper, Council Member, presenter

Attachments: Agenda Summary.pdf; Presentation.pdf

PUBLIC COMMENT:

Ms. Melinda Hill, 1481 Mill Race, noting the lateness of the hour and the importance of the issue to be discussed, requested that the presentation be postponed to a future meeting when it could be presented earlier in the evening to ensure greater viewership by City residents. She stressed that the next regular meeting would likely be very short and, thus, would be ideal for addressing this item. She further suggested that Council reconsider their new meeting practice of discussing all items at Work Sessions and then voting on them at Regular meetings, resulting in very disparate meeting lengths.

President Rosen noted that he would do whatever the majority of Council wanted.

Mr. Hooper agreed, noting that he had predicted that there would not be sufficient time for his presentation during this meeting.

Ms. Holder noted that she was not opposed to simply viewing the presentation and saving the discussion for a later date. She stressed that the police funding issue would likely require numerous discussions to address solutions.

Mayor Barnett stated he did not want to influence Council's decision on this matter, but merely wanted to inform them that the City would soon be streaming Council meetings on the City's website, thus eliminating to a certain extent the limitations of Council Meeting broadcasts on the City's cable station.

Council Consensus was to postpone the Police Millage presentation and discussion until the next Council meeting where it would appear at the beginning of the agenda.

Postponed

ANY OTHER BUSINESS

Ms. Holder requested a recorded copy of the next Council meeting, as she would be unable to attend.

Mr. Ambrozaitis encouraged the creation of a blight ordinance for the City.

President Rosen noted that the blight ordinance issue would likely be discussed at the upcoming homeowners meeting to be held by the City. He indicated it was likely the Administration would bring something forward to Council soon after that.

Mr. Duistermars questioned whether there were any guidelines dictating which items were to be included on Work Session agendas.

President Rosen indicated he would consider eliminating some items that may not be necessary for discussion at Work Sessions.

Ms. Raschke expressed her belief that blight issues in the City are typically isolated incidents and there is no need to further burden the Building Department with increased regulations.

PUBLIC COMMENT:

Ms. Melinda Hill, 1481 Mill Race, urged Council to reevaluate how they set Work Session agendas, noting that some of the items can be discussed at Regular meetings without taking action. She suggested that this would balance out the duration of the meetings.

NEXT MEETING DATE

Regular Meeting - Wednesday, February 14, 2007 at 7:30 p.m.

ADJOURNMENT

There being no further business before Council, President Rosen adjourned the meeting at 11:15 p.m.

*JAMES ROSEN, President
Rochester Hills City Council*

*JANE LESLIE, Clerk
City of Rochester Hills*

*MARGARET A. CASEY
Administrative Secretary
City Clerk's Office*

Approved as presented at the (insert date, or dates) Regular City Council Meeting.