
CITY OF ROCHESTER HILLS

Planning and
Development

DATE: September 26, 2005

TO: Public Safety Committee

FROM: Dan Casey, Manager of
Economic Development

RE: Funding Methods for Public
Safety Operations

The Committee has requested that I provide guidance regarding how a development area can fund costs associated with increases in public safety operations that result from the new development.

Ordinarily, a City Council can authorize additional resources to fund service increases that result from a development project. Taxes generated from the new development could provide the funding. However, when that development area is subject to a tax increment financing plan, as is the case with the Rochester Hills Executive Park (Grand Sakwa property) and Madison Park (REI Property), those tax dollars are already being diverted to fund public infrastructure projects. Remember that a cleanup of a contaminated site is considered a public project when defined and approved in a brownfield plan.

A study was conducted by Scio Township in Washtenaw County in 1996 to determine the costs of public services as they related to land use. It was determined that residential property generates substantially less revenue than it receives in services from the Township, an expenditure to revenue ratio of 1.40. By comparison, commercial/industrial land contributed more in revenue than it received in services by a ratio of .26. This is one of the arguments often made by proponents of a balanced land use model as opposed to those that support purely residential development.

The reason why I referenced the Scio Township study is that we have not determined what level of additional service may be required as a result of the two large developments identified above. The following factors would have to be evaluated:

1. Existing capacity to support the new service levels – is the current equipment and personnel sufficient
2. Is existing capacity already inadequate to service the City
3. When will the development be completed in full – five years, ten years or beyond
4. When will new service levels be determined – at 50%, 75% or 100% of completed development

Based on the study results, the future development may not place significant stress on the City's public safety capacity. Certainly, there is a belief that Walmart will generate more police and fire runs. It is my view that a study may be warranted to evaluate existing capacity and assess future need.

If it is determined that additional capacity is warranted, there are several funding mechanisms that the City can utilize. If additional equipment or public facilities are needed, such as a substation or fire station, the City can use its bonding capacity to fund these improvements. General fund revenues could be used to repay the bonds.

Another option would be a new millage or extension or increase of existing public safety-based millages. The residents would have to approve the increase or new millage in a special, primary or general election.

A third alternative may be to impose a special assessment on property owners within the defined areas. The assessment would be attributable only to new buildings after they are completed and/or occupied. There are two methods to enact a special assessment.

The first method of special assessment is to develop an agreement with property owners in the development area whereby they annually pay into a public safety fund. They could pay a flat fee or one that is based on the total square feet of building space. This is a negotiated agreement between each property owner and the City, and the basis for the agreement is a pre-defined cost and assessment. Again, the City would have to understand its public safety capacity and the projected cost for increases that result from the development.

A second method of special assessment is one whereby the City imposes a fee upon property owners in the development area. There is no agreement between the parties and the City establishes the fee based on assessment value of each property. For example, the City may determine that increases in service will require a .025 levy on all property owners in the development area. The tax is payable in the winter bill at the time in which all City millages are levied.

It is my understanding that the City of Franklin imposed a special assessment on the owners of the Bingham Center, an office campus, many years ago. The assessment funds increases in public safety personnel.

In speaking with John Staran, the City Attorney, he believes that it is feasible to impose a special assessment on a development area, but additional research may be needed to determine the proper method. I will be happy to conduct additional research on this issue at the direction of the Mayor's office.

CC:

Ed Anzek
Julie Jenuwine
John Staran