



Rochester Hills

Minutes

Financial Services Committee

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Donald Atkinson, Bryan Barnett, John Dalton, Kurt Dawson, Rajeev Gudipati, Melinda Hill, Julie Jenuwine, Lang Liu, Lee Zende

Thursday, June 24, 2004

5:00 PM

1000 Rochester Hills Drive

DRAFT

CALL TO ORDER

Chairperson Melinda Hill called the Financial Services Committee meeting to order at 5:03 p.m.

ROLL CALL

Present: Melinda Hill, Bryan Barnett, John Dalton, Donald Atkinson and Lee Zende

*Non-Voting Members Present: Kurt Dawson, Julie Jenuwine, Rajeev Gudipati
Non-Voting Members Absent: Lang Lui*

Others Present: Director of Planning Ed Anzek, Director of Building Scott Cope, Director of DPS Roger Rousse, Dan Casey and Annette Kingsbury.

APPROVAL OF MINUTES

No minutes to approve

COMMUNICATIONS

2005 Proposed Budget Preparation Update

** Julie Jenuwine provided a brief overview and indicated she will have an update in July*

2004-0543

Proposed Budget Preparation Update - 2005

** Provided a brief overview and indicated she will have an update in July.*

Discussed

UNFINISHED BUSINESS

2004-0283

Discussion regarding the need to create a Tax Abatement Policy for the City of Rochester Hills

Attachments: Memo Casey 20040617.pdf; Policy Tax Abatement.pdf; Exhibit C.pdf; Exhibit D.pdf; District 02 - Rehab.pdf; District 03 - Rehab.pdf; District 19.pdf; District 22.pdf; Districts 1-3-6-7-10-15-17-20.pdf; Districts 4-5-11-12-13-14-23.pdf; IDD Districts 8-16-1

Discussion regarding the need to create a Tax Abatement Policy for the City of Rochester Hills.

** Dan Casey reviewed his handout regarding policy comparison, old vs. new.*

*Policy Comparison
Old vs. New*

A. Tax Abatement Consideration

1. *Old Policy - City does not support the use of tax abatement. In later discussions, Council agreed to leave the door open for consideration, which resulted in Texaco Ovonic's recently approved application.*
2. *New Policy - Council's tax abatement policy clearly defines the parameters in which an application will be considered, and uses a matrix for both real and personal property as a method to consistently evaluate applications.*

B. Transfer of Employment

1. *Old Policy - Abatements would not be granted for projects that resulted in transfer of employment from another Michigan community.*
2. *New Policy - Transfer of employment is not a disqualifying factor. This provision is based on two factors:*
 - a. *Legislative change to PA 198 in 2000 eliminating transfer of employment provisions*
 - b. *Other Michigan cities that compete with Rochester Hills do not prohibit the transfer of employment*

C. Eligible vs. Ineligible Facilities

1. *Old Policy - Eligible facilities must be owner occupied.*
 - a. *Multi-tenant facilities, non-owner occupied, tenant occupied build to suit, or speculative facilities will not be considered*
2. *New Policy - Eligible facilities can be owner occupied, multi-tenant, leased or speculative*
 - a. *PA 198 allows companies in leased facilities, multi-tenant and speculative buildings to apply for tax abatement if the facility is in an Industrial Development District. In Troy and Southfield, for example, districts often are created for specific suites in multi-tenant buildings as opposed to the entire building*
 - b. *Leased equipment also is eligible for abatement as long as the company leasing the equipment is responsible for the taxes.*
 - c. *The length of abatement for either real and/or personal property is limited to the length of the lease.*

D. Limitations on Length of Abatement

1. *Old Policy - The maximum term for which the Rochester Hills City Council will grant abatement is six (6) years for real property and three (3) years for personal property*
2. *New Policy - The maximum term for real property is identified in the Tax Exemption Chart (Exhibit C) based upon job creation and investment. The law permits a maximum of 12 years after completion of the project and up to two (2) years during construction for a maximum of 14 years. Personal property abatements also consider job creation and investment numbers as identified in Exhibit C, Smart Investment Chart. Because of the impact of depreciation on the value of equipment, the Chart limits the length of abatement to eight (8) years; however, by law, Council may grant up to 12 years at its discretion.*
 - d. *Smart Investment Abatements are intended in part to support the reinvestment and diversification of lines of business for Rochester Hills companies, acting as a method of local support to strengthen their ability to compete*
 - e. *Some communities limit the length of abatements for real and/or personal property to less than the law allows. In some cases, their decisions are based on policies; but often it is based on what is politically expedient.*

Discussion regarding existing Industrial Development Districts included the following:

** Prior rescinded districts are technically still viable based on a recent STC ruling.*

** HB5415 - seeks to give units the power to rescind districts.*

A motion was made by Barnett, seconded by Zendel, that this matter be

Approved and Referred.

RESOLVED: That the Financial Services Committee requests the City Council President schedule the Tax Abatement Policy on a future City Council Work Session.

The motion carried by the following vote:

Aye: Hill, Barnett, Dalton, Atkinson and Zendel

NEW BUSINESS

2004-0541 Auditing Services Discussion - Potential RFP

Auditing Services Discussion - Potential RFP

* Julie Jenuwine noted the current agreement with Plante Moran and the City will have to go out for RFP or extend the agreement with Plante Moran.

Quality based analysis will be conducted.

ANY OTHER BUSINESS

None Presented

NEXT MEETING DATE

July 15, 2004 at 5:00 p.m.

ADJOURNMENT

There being no further business to discuss, Chairperson Melinda Hill adjourned the meeting at 6:00 p.m.

Minutes prepared by Sue Busam.