



# Rochester Hills Minutes City Council Work Session

1000 Rochester Hills Drive  
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Home Page:  
[www.rochesterhills.org](http://www.rochesterhills.org)

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

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Wednesday, August 15, 2007

7:30 PM

1000 Rochester Hills Drive

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**DRAFT**

## CALL TO ORDER

*President Rosen called the Rochester Hills City Council Work Session Meeting to order at 7:35 p.m. Michigan Time.*

## ROLL CALL

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

**Absent:** Jim Duistermars and Linda Raschke

## Others Present

*Bryan Barnett, Mayor  
Dan Casey, Manager of Economic Development  
Paul Davis, City Engineer  
Julie Jenuwine, Director of Finance  
Jane Leslie, City Clerk  
John Staran, City Attorney*

*Council Members Linda Raschke and Jim Duistermars provided previous notice they would be unable to attend and asked to be excused.*

## PLEDGE OF ALLEGIANCE

## REVIEW OF AGENDA

## PUBLIC COMMENTS

## LEGISLATIVE & ADMINISTRATIVE COMMENTS

*President Rosen reminded local candidates who would be placing signs in the City to observe all Sign Ordinance rules.*

*Ms. Holder stated the joint meeting between the City of Auburn Hills and the City of Rochester Hills was very productive and was hopeful that future joint meetings could be scheduled with other communities in the surrounding area.*

*Mr. Ambrozaitis thanked the Boy Scouts for their project of building a deck at City Hall.*

*Mr. Hooper commented that the joint meeting between the City of Auburn Hills and the*

*City of Rochester Hills was very beneficial and that other meetings should be established with sister communities.*

**Mr. Yalamanchi** asked for an update on the progress of the Crooks Road overpass project and inquired as to the status of the preparation of a Resolution to the Road Commission of Oakland County (RCOC) to encourage their prompt attention to this project.

**Mayor Barnett** advised of discussions that the Administration has had with Senator Mike Bishop's office indicating the City's desire to have the Crooks Road overpass project be returned and included in the scope of the project. He advised that one of the challenges of the project is that jurisdiction is shared between the Michigan Department of Transportation (MDOT) and the RCOC.

**Mr. Yalamanchi** requested Mayor Barnett to furnish documentation of direct and indirect costs for the Festival of the Hills Program.

## PUBLIC HEARINGS

### Opened Public Hearing at 7:42 p.m. / Closed Public Hearing at 8:07 p.m.

**2007-0467** Request to establish an Industrial Development District at 3072 Research Dr., Rochester Hills, MI 48309.

**Attachments:** Agenda Summary.pdf; 080807 Agenda Summary.pdf; 080807 Resolution.pdf; Resolution.pdf

**Mr. Dan Casey**, Manager of Economic Development, gave a brief overview of the project. He stated that FormFab had recently moved into the City from Auburn Hills and purchased a building that was comprised of a "core and shell". He explained that not only is their new facility several thousand square feet larger but the new facility allows them to expand their operations. He stated the company had applied for a tax abatement and they are requesting a 12 year abatement of real and personal property for the cost to purchase the building less the land cost, the construction of the interior space, and necessary equipment. FormFab is transferring approximately \$680,000 of existing equipment that is not subject to the tax abatement but will be added to the ad valorem tax rolls and will be generating tax revenue to the City in 2008. He commented that FormFab has 15 employees that will be working in the new Rochester Hills facility; in addition they are committing to five to ten new positions within two years of completion of their project.

**Mr. Norman Caetano**, President of FormFab, 3072 Research Dr., presented to Council the aspects of his business and made a request for a tax abatement. The following is a synopsis of his presentation:

*FormFab is a full service supplier for the Tubing Industry.*

*Services include:*

- Inspection of fixtures
- Tube fabrication (developmental and short run pre-production support)
- Endform Development (design and build)
- Coordinate Measuring Machine tube layout inspection
- Generation of full-scale tube cad layouts
- Component fabrication (brackets and other components)
- Production feasibility assessment
- Fluid Systems Engineering Design Consulting
- Reverse engineering of fluid systems routing and components

*Company History*

- Company was founded in November 1998
- January 1999 - Moved into a 1600 sq. ft. industrial unit in Auburn Hills
- Operation consisted of producing tube contour inspection fixtures for the Automotive Tubing Industry
- August 2000 - Expanded into a second unit with a square footage total of 3200 sq. ft. to begin fabrication of small diameter tubing prototypes for the Automotive Tubing Industry
- January 2003 - Company moved to a new stand alone 8800 sq. ft. facility located in Auburn Hills providing jobs for six full time employees
- June 2003 - Company purchased Machining Center to expand capabilities and provide full contour production gauges
- December 2005 - Company purchased an additional CNC tube bender to support increased order volumes
- Employment increased to nine employees
- April 2006 - Company continued to expand it's product offerings with the acquisition of larger capacity CNC Tube Benders
- June 2006 - Company began low volume production of HVAC assemblies for the after market
- Employment increased to 14 by the end of 2006
- July 2007 - Company moved into a new 16,000 sq. ft. facility located in Rochester Hills Executive Park

*Future Development*

- Continued expansion into After Market, Aerospace, Defense, Appliance and Health care Industry products
- Expansion of Inspection Fixture customer base
- Continued expansion into related products and services that compliment and offer value to our new and existing customers

**Mr. Casey** advised that this tax abatement was a Speculative Tax Abatement and informed Council that alternative procedures would need to be followed for an approval or denial. He then listed the following steps:

1. For an approval of a Speculative Tax Abatement Council first approves a Resolution declaring the building as a Speculative Development. He stated that Council had previously approved the building adjacent to FormFab as a speculative building.
2. After approval of the Resolution, then Council would establish an Industrial Development District.
3. Council would have to approve the tax abatement request. For a denial Council would have to deny the development as being speculative, then Council would have to deny the request to establish an Industrial Development District. Council would not

*have to act upon the tax abatement request if they were to deny the previous two items.*

**President Rosen** asked Mr. Casey what the financial aspect would be if a Speculative Tax Abatement were approved.

**Mr. Casey** replied the FormFab building was worth approximately \$725,000 in assessed value but approximately one half of that amount would be realized through the real property tax abatement.

**President Rosen** requested more information when this item returns to Council as he felt the City would actually lose taxes as opposed to just not receiving taxes.

**Mr. Casey** advised the City would be losing 50% of the value as the tax abatement is 50% of the assessed value.

**Mr. Ambrozaitis** stated he was concerned with the City's income and tax rolls. He commented that he would like to see more businesses coming to the City as that would bring more employment.

**Mr. Yalamanchi** asked for an estimate of how many tax dollars the City would lose if the Speculative Tax Abatement were approved.

**Mr. Casey** replied the City would lose approximately \$1,500 in taxes on an annual basis.

**Mr. Yalamanchi** questioned why only five years of abatement had been recommended.

**Mr. Casey** replied the City Council Tax Abatement Policy would only support five years.

**Mr. Yalamanchi** thanked FormFab for coming into this Community and for creating jobs. He further stated with the sluggish economy the City should do what they can to help sustain the businesses in this community.

#### **PUBLIC COMMENT**

**Mr. Lee Zendel**, 1575 Dutton, congratulated Mr. Norman Caetano and stated he was in favor of creating tax exemptions to help businesses in the City of Rochester Hills.

**Ms. Cindy McMann**, Oakland County Economic Development (OCED), advised Council of OCED's support of FormFab in Oakland County.

#### **COUNCIL DISCUSSION**

**Ms. Holder** stated that due to the current economy the City has to sacrifice some tax dollars to keep local businesses from moving out of the State.

**President Rosen** stated he had concerns with the speculative nature of the building. He asked Mr. Casey to prepare a report for the next City Council Regular Business Meeting and show how financial figures would all balance in relation to the tax abatement.

**Mayor Barnett** extended appreciation to Mr. Norman Caetano for moving his business into the City of Rochester Hills.

**Mr. Yalamanchi** stated that with so many companies struggling in the current economy the City needs to look at every request for a tax abatement on a case-by-case basis.

**Mr. Hooper** welcomed Mr. Norman Caetano of FormFab to the community. He asked what the difference was between a new and a Speculative Tax Abatement.

**Mr. Casey** replied that a new tax abatement could be a new project or a new investment, and it can be an existing building with new equipment, or it could be a new building or an expansion of a building.

**Mr. Hooper** questioned how the City would proceed as the building has been at its location for sometime now.

**Mr. Casey** replied that the Legislature created the speculative building for situations such as what FormFab has where a developer, or an investor, constructs a building in hopes to sell it or lease it, but he only has nine years in which to accomplish that.

**Mr. Hooper** inquired that as the City is currently receiving approximately \$5,000 per year for the building that FormFab has recently purchased, would the tax drop to \$1200 per year.

**Mr. Casey** stated that if Council were to approve the Speculative Tax Abatement then it would cost the City about \$1500 in lost tax dollars per year. He further stated that he based the estimate on the current estimate of the building, and compared it to what the assessment of the building and the new equipment will be at the end of the first year of the abatement.

**Mr. Ambrozaitis** acknowledged Oakland County Economic Development's efforts to encourage development in the City of Rochester Hills.

#### Discussed

2007-0468

Request for an Industrial Facilities Exemption Certificate (IFT) at 3072 Research Dr., Rochester Hills, MI 48309.

**Attachments:** Agenda Summary.pdf; Application.pdf; Letter Dawson 080107.pdf; Development Agreement.pdf; Company Overview.pdf; Financial Analysis-Personal.pdf; Financial Analysis-Real.pdf; 080807 Agenda Summary.pdf; 080807 Resolution.pdf; Resolution.pdf

*This Legislative File was discussed with the preceding Legislative File.*

#### Discussed

## ADMINISTRATION

**Legislative File # 2007-0486 was moved ahead of Legislative File # 2007-0470 at the request of Councilman Yalamanchi.**

2007-0486

Request for a "New from Quota" Class C Liquor License from Rochester Tienken Investments, LLC d/b/a/ Shield's Pizza to be located at 1488 N. Rochester Road, Rochester Hills, MI

**Attachments:** Agenda Summary.pdf; Application Info.pdf; State of MI Resolution.pdf; Resolution.pdf

**Ms. Kelly Allen**, Adkison, Need & Allen, 39533 Woodward, Suite 210, Attorney for Shield's Pizza, stated that she was applying for the last quota license that the City of Rochester Hills has available. She presented background information on the two proposed franchise owners of Shield's Pizza, Anthony DiGirolamo and Michael DiGirolamo. She stated that the DiGirolamo brothers currently operate a Shield's Pizza Restaurant in Macomb Township, which they have operated for two years. She further stated that their business in Macomb Township has a perfect record in terms of the

Michigan Liquor Control Commission (MLCC). She advised that she had provided personal financial information for Michael and Anthony DiGirolamo and their Shield's Pizza business in Macomb Township.

**Mr. Paul Andoni**, member of the Shield's Franchise Restaurants LLC, commented that Michael and Anthony DiGirolamo have consistently demonstrated their ability to maintain the Shield's Pizza Restaurant standards that have been put forth in their agreement with the organization. He stated the City Walk development site is just "fantastic" for this type of family restaurant.

**Mr. Yalamanchi** asked City Clerk Leslie if a business received a Liquor License from the City and then the restaurant closed for any reason, what would be the status of the Liquor License at that time.

**Ms. Jane Leslie**, City Clerk, replied that if a business closed within three years of owning a license then it would come back to the City's quota, and if the business succeeds longer than that, then their license would go into escrow with the State and then it would be determined at that time what to do with the license.

**Mr. Yalamanchi** inquired if the owner of a Liquor License had the license more than three years and then ceased to own the business, then could the owner sell the Liquor License.

**Ms. Leslie** replied that the owner could sell the Liquor License if they did in fact own and operate the business for more than three years.

**Mr. Hooper** inquired as to the status of the City participating in Public Act 501 to increase the City's Liquor License quota.

**Ms. Leslie** stated that the City would continue to gather all necessary information to proceed with the City's utilization of Public Act 501, Redevelopment Districts.

**Ms. Holder** commented that she felt that Shield's Pizza Family Restaurant would be an asset to the City of Rochester Hills.

#### Discussed

2007-0470

Request for Approval for an Extension of the existing Right-of-Way Deed for Butler Road

**Attachments:** Agenda Summary.pdf; Map.pdf; Letter Jensam LLC 100304.pdf; Deed.pdf; Suppl Info.pdf; Resolution.pdf

**President Rosen** stated that the City had an Agreement with the developer of Butler Ridge that if Butler Road was extended the City would take out the cul-de-sac and the City would return the property to the owner of Lot 150, if this took place within three years of 2004.

**Mr. Paul Davis**, City Engineer, stated that there have been representatives of Oakland University in attendance at two of the Master Thoroughfare Meetings when this item was discussed.

**Mr. Yalamanchi** asked if the City was attempting to have the cul-de-sac removed.

**Mr. Davis** stated that the City has had previous discussions with the City of Auburn Hills regarding the paving of their portion of Butler Road and how the paving would match up with what the developer had constructed in Rochester Hills. He further stated that Butler Ridge Phase II is being completed and the City has been aware that there is a possibility that all of Butler Road would be paved between Adams Road and Squirrel Road. He

commented that it is shaped like a cul-de-sac but it actually is a through road and presently a person can drive from Adams Road to Squirrel Road. He stated that the City has had discussions with Auburn Hills pertaining to Butler Road and would not want to create any hard feelings by putting in a true cul-de-sac. He discussed an agreement dated October 3, 2004 with a sunset clause attached to it to alert the City to open discussions again regarding the Butler Road issue. In 2005 Butler Road Island was budgeted as a CIP Project and the City was of the understanding that it would be constructed, but for a number of reasons it did not come to fruition. He added that the agreement allowed the City to have flexibility on either keeping the cul-de-sac where it is, or removing it, but the sunset date has arrived, and the City needs to make a decision on what route should be taken. He stated the following options in which the City may decide how to proceed with this road issue:

- 1) Record the Warranty Deed, which will put the right-of-way in place.
- 2) Move forward with the project to remove the island.
- 3) Extend the Agreement thus not pinpoint a time frame when the Warranty Deed would be recorded or when Butler Road Island would be removed.

Mr. Davis advised that he contacted Mr. Stanley Frankel, Developer of Butler Ridge Subdivision and asked him if he would be willing to extend the Agreement. He was willing to extend it and suggested an extension of one year.

**Mr. Yalamanchi** suggested removing the cul-de-sac, returning ownership to the property owner, and building a through road.

**Mr. Davis** stated he felt that a speed deterrent was the original design of Butler Road with all of its curves that naturally forces drivers to reduce their speed.

**Mr. Yalamanchi** asked Mr. Davis which option that he recommends.

**Mr. Davis** stated he recommended that the City extend the Agreement for a few more years as it keeps options open so the City does not have to make a decision on whether to keep the cul-de-sac in place or remove it.

**President Rosen** agreed with Mr. Davis in acknowledging that the cul-de-sac on Butler Road is awkward but it will have to stay in place until a through road is built. He added that when a through road is built that a road vacation process could begin and in turn deed the property back to the owner.

**Mr. Ambrozaitis** stated he was in favor of leaving Butler Road in its current condition with the cul-de-sac. He noted that the cul-de-sac acts as a de facto traffic-calming device.

**Mr. Davis** stated that if Auburn Hills had success in paving their portion of Butler Road then the City should have Mr. Staran, City Attorney, record the Warranty Deed and it will finalize the right-of-way. He commented that the current Master Thoroughfare Plan shows Butler Road as a collector road and not a road that would terminate out of corporate boundaries.

**Mr. Hooper** stated that the City should extend the Agreement for a minimum of three years.

**City Attorney Staran** stated that whichever route Council decided to take in this matter would ultimately end up in the same place whether Council extends the Agreement or records the deed they would ultimately end up with the same results.

**Mr. Ambrozaitis** asked if extension of the Agreement would allow more time to work

with Oakland University regarding the long-range plans for Butler Road.

**City Attorney Staran** stated that to justify extending the Agreement would be to have a mind set that an Agreement with Oakland University would be possible and the road would go through there and be paved.

**Mr. Davis** stated that he perceived the road as a safety issue for the following reasons:

- 1) Not a paved through road
- 2) Trees in the center
- 3) Unlit conditions exist at night

**President Rosen** suggested making some improvements to the road with some signage such as black arrows with a yellow background.

**Discussed**

## CITY COUNCIL

**2006-0899** Request for Consideration for the Designation of Fund Balance in the Major Road Fund for future major road projects.

**Attachments:** Agenda Summary.pdf; Major Road Forecast.pdf; 121306 Agenda Summary.pdf; 121306 Major Road Projects - proposed designation.pdf; 121306 Resolution.pdf

**Ms. Julie Jenuwine**, Director of Finance, stated the Fund Balance has been accumulating for a long period of time with no designation on how to disperse the money, noting currently there is a large sum of money in the fund. She commented that a previous Council had established a policy to build the fund for future projects but never gave a definitive plan to disperse the money. She further stated it was her recommendation that Council designate how the money would be expended in the future on particular major road projects and indicate same on the City's financial statements. She clarified that a designation only signifies the intentions of the Council and the Administration but in no way is it a reservation or any sort of legal obligation.

**President Rosen** asked what advantage the City would have in designating the Fund Balance.

**Ms. Jenuwine** replied the advantage would be to allow the readers of the City's financial statements to be aware of the designation of how the money will be dispersed.

**President Rosen** asked how much money was in the Major Road Fund.

**Ms. Jenuwine** stated the fund has approximately 18.5 million dollars but advised not all of the money was available for designation.

**President Rosen** asked what dollar amount of the fund should be designated.

**Ms. Jenuwine** stated between 12 and 13 million dollars should be designated. She further stated that 3.8 million dollars was projected to be used this year and some of that is Metro Act money.

### **PUBLIC COMMENT**

**Mr. Lee Zendel**, 1575 Dutton, stated it was his understanding that money was set aside in prior years for certain major road projects as the projects involved State and Federal monies.



**COUNCIL DISCUSSION**

**Mr. Davis** stated Council approved Hamlin Road for a roundabout and also approved an addition to the design budget. He further stated that the Hamlin Road Project is a Grant Funded Project but it is a City road. He noted that the entire Hamlin Road Project was approximately 16 million dollars and just over 13 million dollars will be reimbursed to the City. He further noted that the City would be paying a contractor and then the City would request reimbursements from the State. He stated the City has many projects that could move forward expeditiously if the Michigan Department of Transportation (MDOT) were to construct the Crooks Road interchange or possibly the M-59 widening project sooner.

**Mr. Ambrozaitis** stated that he felt that even though a project was in the CIP Budget, it should not necessarily be considered a priority. He commented that he was in favor of using funds for Major Road Fund Projects that the City is going to be responsible for constructing.

**Ms. Jenuwine** encouraged Council to examine the timing guidelines for all future projects as more money will be coming into the fund and Council will have to designate the funds now for then.

**Ms. Holder** asked if Council designated funds for a particular project if the project was guaranteed to receive the funds.

**Ms. Jenuwine** replied "no".

**Ms. Holder** asked if Council designates funds for a certain project, could the money be transferred from that fund to a different project fund.

**Ms. Jenuwine** stated she brought this item before Council to obtain their intentions on which projects to designate funds to. She further stated that a designation of funds would allow Council freedom to transfer funds from project to project but a reservation is a legal obligation and a contract would have to be signed, which would legally bind the funds to a certain project.

**PUBLIC COMMENT**

**Mr. Zendel** stated the purpose of the designation is to show on the Financial Statements how the City will disperse the money in the Fund Balance for major road projects.

**COUNCIL DISCUSSION**

**Mayor Barnett** stated this procedure simplifies to readers of the Financial Statements in the Budget process of where the funds will come from to do extensive repair work on major roads.

**Ms. Jenuwine** inquired of Council how they would like to proceed with the designation of funds as the Hamlin Road Project will require immediate cash to be used for the project until the City receives reimbursement. She stated that upon reimbursement for the Hamlin Road Project the City would then have money available to designate funds for additional projects.

**Mr. Hooper** stated that when MDOT constructs a project in the City and the City is required to participate in it then the funds should be designated immediately so the money is set aside.

**Mr. Davis** stated it is necessary for Council to establish a time frame for which to designate funds for projects and that time frame could vary from three to five years.

*Mr. Hooper* stated he was in favor of a lengthy time frame for the designation of funds for projects. He advised Council not to let the Fund Balance go down to \$0 and to use good "economic sense" in anticipating how to spend the Fund Balance monies.

*President Rosen* commented that the designations of the Fund Balance monies should be part of the budget process.

**Discussed**

## **ANY OTHER BUSINESS**

## **NEXT MEETING DATE**

*Special Meeting, Wednesday, August 22, 2007 at 6:00 p.m.*

*Regular Business Meeting, Wednesday, August 22, 2007 at 7:30 p.m.*

*Special Budget Work Session immediately following the Regular Meeting on Wednesday, August 22, 2007*

## **ADJOURNMENT**

*There being no further business before Council, President Rosen adjourned the meeting at 9:52 p.m.*

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*JAMES ROSEN, President  
Rochester Hills City Council*

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*JANE LESLIE, Clerk  
City of Rochester Hills*

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*SUE SMITH  
Administrative Secretary  
City Clerk's Office*