

**REGULAR MEETING OF THE COUNCIL OF THE CITY OF NOVI
MONDAY, NOVEMBER 27, 2017 AT 7:00 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 TEN MILE ROAD**

Mayor Gatt called the meeting to order at 7:00 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Gatt, Mayor Pro Tem Staudt, Council Members Breen, Casey, Markham, Mutch, Wrobel

ALSO PRESENT: Peter Auger, City Manager
Victor Cardenas, Assistant City Manager
Tom Schultz, City Attorney

APPROVAL OF AGENDA:

CM 17-11-168 Moved by Mutch, seconded by Casey; CARRIED UNANIMOUSLY

To approve the Agenda as presented.

Roll call vote on CM 17-11-168 **Yeas: Staudt, Breen, Casey, Markham, Mutch, Wrobel, Gatt**
Nays: None

PUBLIC HEARING:

1. Request to Establish an Industrial Development District for Granite REIT America

Opened at 7:02 p.m.

Michael Salemi, 21129 Chase Drive, said he just heard about this the other day. There was a one page document that the City Manager and City Clerk made available as part of the Agenda that had almost no information on it other than the name of company and that an Industrial Development District was being proposed. That means tax abatement. When he queried the Clerk, she said the packet with information would be provided on Wednesday night which was the evening before a national holiday. HE said that was ridiculous. He was sure that Granite REIT America, if they were here, had more than a couple days over a holiday to prepare for this. The people of Novi haven't seen anything on this, the end game, or any proposals. This is not how government should work. He requested this be tabled and information be provided to all of the residents. He said that's probably not what they want to do. How will this benefit Novi, he was talking about the tax abatement. Who are these people and why do they deserve it?

Closed at 7:03 p.m.

2. Request to Establish a Tax Exemption Certificate for Hanon Systems USA

Opened at 7:04 p.m.

Michael Salemi, 21129 Chase Drive, said everything he previously said still applies. This is the tax abatement stage. Hanon Systems had \$5.7 billion in sales last year and their net income was \$304 million. He said the tax abatement is a tax loss to Novi. It is taxes we will not get to fix our roads, help veterans, seniors, and all the great things we need to do that take money. This will cost Novi \$2.6 million over 12 years, plus the personal property tax abatement which has yet to be determined. He asked if this company needed the tax abatement. He said they can pay it; they've been around for a long time. If we do not pass the abatement, nothing will happen to them.

Jasper Catanzaro, 43468 McLean Court, said he didn't have as much information as the previous speaker, but is bothered about the infrastructure, our roads, and schools. He wanted to know what is being done with the infrastructure. We can't allow more businesses into the City without fixing our roads. He would like to see a study on what this will do to the Police Department, Fire Department and what this will do to the school system. His big complaint was the condition of the roads. He didn't believe in tax abatements for anybody.

Closed at 7:06 p.m.

3. Request to Establish an Industrial Development District for SEHN Novi

Opened at 7:07 p.m.

Michael Salemi, 21129 Chase Drive, said he wished he had more information on SEHN Novi, but they are a privately held company established 13 years ago with almost no footprint anywhere to be found. He said other than what was offered late last Wednesday night which offered no metrics, no information or demonstration on what they will bring to the City of Novi verses what the City of Novi will lose. He requested it be tabled for the same reasons as his request to table Granite. They should wait until the public has been apprised of the full intent on what this proposal is going to be. He said this is just a precursor to a tax abatement that will come as soon as this is approved.

Closed at 7:08 p.m.

4. Request to Establish a Tax Exemption Certificate for Production Tool Supply

Opened at 7:09 p.m.

Michael Salemi, 21129 Chase Drive, said Production Tool Supply is also a privately held business like the other he spoke about. He doesn't know any of their financials. He knows they started in 1951 and have grown to 9 locations and they are headquartered in Warren. They have more than 400 employees. He felt they will continue to grow without the tax abatement. He is certain they can pay for it. He asked how much information has been provided. He couldn't see how they could make a decision on

giving away \$5 million over 12 years plus personal property taxes worth \$1.2 million when they know nothing about the company. These are metrics that are very important. Some people say this is corporate welfare. Welfare is given to people and entities when they need it. If you're going to call it corporate welfare, let these companies who want our tax dollars demonstrate what they are doing.

Closed at 7:11 p.m.

PRESENTATIONS:

1. Novi Public Library Year-In-Review and Annual Report - Julie Farkas, Library Director and Christina Salvatore, Communications Coordinator

Library Director Farkas said it was an honor to be there to present their Annual Report. She was joined by Christina Salvatore, Communications Coordinator for the Library. Ms. Salvatore said her favorite thing to do is the Annual Report because they look back at everything the Library has accomplished that fiscal year and look forward to accomplishing more. The cover of the report is about raising a reader to read 1,000 books before kindergarten. Their goal was to have 250 readers the first year and they exceeded that goal with 427 readers. In the Annual Report, she recapped the year and provided financial figures with charts. Ms. Farkas mentioned they had an increase of visitors by over 20,000 this year. The Library is very strong and is used on a regular basis. They average 1,200 people per day. As far as expenditures this year, they thought they would use fund balance to offset some of the expenditures, but they did not have to. They actually saved approximately \$85,000 that wasn't expended. She said it was due to the leadership of the Library Board as well as the amazing staff that she works with who work hard to execute the goals and strategic planning. Their teen space numbers were up from 2:00 p.m. until 5:00 p.m. where they can interact and have a positive place to be after school. They did well with 1,000 books before kindergarten. She also noted that 16 kids read 1,000 books within the first year and they celebrated with a party. They've added an early Literacy Specialist Librarian who is working hard with the school district and preschools. Their meeting room usage and rentals were up. Patron inquiries were up as well which meant people want to know more about information, books, services, and programs. Ms. Farkas thanked them and the Leadership Team under City Manager Auger. She said they have a great relationship and thanked them for support.

Mayor Gatt said he gets to brag about the City. He said we have a lot of things to brag about, but there is nothing more important than the Library. He said the staff is fantastic. He thanked her for everything she does. Even outside the City, people rave about the Novi Public Library.

Member Mutch noted the fact they didn't use the fund balance. He had raised concerns about that a few years ago. He was pleased to see staff and the Library Board step up to that challenge and not use the fund balance. They went in the opposite direction and stayed within the resources they had. That's a trend the Council

has done. He was glad to see the Library met the challenge and thanked everyone who made that happen. Many people appreciate the Library. It's a great public institution and people recognize the work they do.

Member Breen thanked them for putting together so many wonderful programs. She has two kids and they frequent the library. She mentioned the Stem and Steam kits that they have. She said it was a wonderful way to continue doing something the kids are doing in school at home for their projects. This helps the kids with computer coding and science. She also mentioned the human trafficking forum they have. The Library has a wide variety of things they accommodate, such as the wedding they hosted there. Ms. Farkas said it went well and gave them a chance to build relationships with local businesses. There were no dollars spent from the Library, it was done all on donation. The couple enjoyed it and had a great time. They would consider something like that again.

Library Director Farkas said in their packet there was information on a number of programs that are coming up in the future. She spoke about eNable, which is the prosthetic hand project that they are doing with the school district using the 3D printer.

2. Comprehensive Annual Financial Report ending June 30, 2017 – Carl Johnson, Finance Director

Finance Director Johnson spoke about the Annual Audit and that he wanted to touch on a half dozen certain key items in the Audit. First and foremost, he thanked City Council for their support, along with the City Manager and Leadership Team. He said the department heads stick to their budgets and submit their information timely. Things couldn't be better in Novi as far as finances. He started with General Fund and for the year ending June 30, 2017 they used Fund Balance of \$839,361 which was planned. They started with a balanced budget and decided to transfer \$1 million into the C.I.P Fund to fund the purchase of the Anglin property which was around \$2.8 million. They planned on using \$1 million of the Fund Balance and ended up using only \$839,361 dropping from \$13.7 million to \$12.9 million. The overall Fund Balance is 41% of annual expenditures. Included in that number are things that hadn't been completed, such as the ITC storage building which was in last year's budget, plans are in place for it, but we never got around to spending it before the fiscal year ended. They rolled those over. There was an August rollover budget amendment that was presented to Council and it was passed. The total of that amendment was \$1.4 million. If they spent all of that, the fund balance would be \$1.4 million lower. This was consistent each and every. Last year's rollover budget was \$1.8 million. Some of the current items that did happen during the current year, the accounting standards changed at the end of last year. It required us to eliminate the Police and Fire Fund, which was just about to zero anyway. It required them to combine it with the General Fund this year. Property taxes are up about \$4 million this year. This isn't new growth; this is a combination of the Police and Fire Levy into the General Fund. It used to be shown as a transfer in that \$5.8 million, but it is now shown up in property taxes. One key item to look at was the actual revenues were \$1.2 million lower than the year before. They were using about \$1 million of that

Police and Fire Levy each and every year in the General Fund. This last year they had \$1.2 million less than they had the year before in property taxes. Property taxes were increased last year 0.3% due to inflation. Overall they recognized a 3% growth because of new development. On the Expenditure side, one of the directives from Council over the last couple of years was to eliminate the "fluff" in the Budget. The Revenues came within \$151,000 of what we had budgeted. On the Expenditure side they came within \$1.8 million, but what was included in that was the \$1.4 million of rollover that they talked about. So that makes them come in about \$460,000 of where we were. With a \$33 million budget that was really outstanding. With the belt tightening when the property tax revenues came in a lot lower so they tightened up on the Expenditure side and they were able to keep within budget.

OPEB, the Retiree Health Care has been an outstanding accomplishment for the City. The directive came from the Mayor and City Council approximately 9 years ago to fund OPEB. The last actuary report they had was June 15. At that time it showed that they had \$24.3 million set aside for a liability of \$25.8 million. They are about \$1.4 million short of that, about 94%. In 2016 it was a bad year for investments and there was actually a loss for that year. In 2017 it was not, so they recognized gains and losses from the investments of almost \$3.4 million dollars. These are investments they do in house. That was 13.2% return on \$24 million dollars. As a result of that, along with contributions, they are at this time 105.8% funded on the OPEB liability. The odds are that the liability may increase some, but they are closing in on the 100%. The result should be that the contributions will start decreasing. They hope that decrease will help fund the next item which is pension contributions. Pension is not where they want it to be. The actuaries changed in their assumptions last year resulting in an increase of liability of more than \$3.3 million. The liability skyrocketed from \$86 million to \$93 million last year. Actuaries are never right and it went from \$93 million to \$97 million this year. They have set aside \$59 million as of right now which includes our contributions which last year were \$3.4 million in total, this year it will be \$3.9 million and it will continue to go up by about \$300,000 to \$500,000 each year until they get the funding level up. The net investment income 2016 was a terrible year and they lost \$898,140. All of the money is with MERS so that was the return that year. It was 3.4% to the good the year before. This past year it was \$6.176 million which was 11.2% return on the money. The OPEB was at 13.7% so they did better than MERS and it was still a healthy return on the money, however it still only bumped up our funding percentage from 58.76% to 61.2%. Ideally they would like that to be somewhere in the 80% range, so until they see that the contributions will continue to go up \$300,000 to \$400,000 a year which a majority of that has to be funded out of the General Fund. He stated they are making progress on the Pension Liability, but still have a little ways to go.

Mr. Johnson said they have been doing an outstanding job making the Long-term Debt go away. This past year they paid off the Street Paving Bond which was \$1.4 million. The only General Obligation Debt is the Library, which has \$11.5 million left. They have one Special Assessment Bond that was issued for someone that was tapping into the Water and Sewer System. That final payment was made this year and that is now at zero. The only thing left was \$8.2 million on the Meadowbrook Complex and \$3.4 million on the

Ice Arena. That is all of the debt, which is incredible. So this past year they paid off \$3.835 million worth of debt, dropping the overall debt to between \$23 and \$24 million. Other communities are about 5 to 10 times that amount easily. Novi has great fiscal responsibility.

Mr. Johnson said the Police and Fire Fund was the fund that went away so the remaining \$1.2 million during the past year was used up and is now at zero. The Capital Improvement Fund, the new one that was created last year had \$2.1 million in 2016 and another \$1 million in 2017 put in from the General Fund. All of that was spent last year and there was \$2,493.00 left in it. That was all the monies that were in there before the Capital Improvement Projects Millage was levied in July of this year. He said there were new standards required this year and a resident was asking for a tax abatement disclosure. This was not something we did; it was a governmental accounting requirement. It is required nationwide to disclose any tax abatements we have. The City currently has 7 tax abatements. We have the I.F.T., Tool and Die, Commercial Rehab abatements. The total of those is about \$450,000 in total, with about \$150,000 of City funds.

Mayor Gatt thanked Mr. Johnson for the detailed report. He guessed that there would be several communities in the area that would love to see those numbers in their books. He wondered how Novi compares to other cities our size in Oakland County. Mr. Johnson said the financial health of Novi is the top, with outstanding numbers. Mayor Gatt touched on tax abatements and accounting procedures. He wondered what the \$150,000 for tax abatements meant. Mr. Johnson said that was the amount of taxes that were abated. The City would have collected \$150,000, which was half of what they would have normally collected. Mayor Gatt wondered if the schools also got half. Mr. Johnson said the schools do not lose money.

Mayor Pro Tem Staudt followed up on the previous question regarding tax abatements. He wondered if tax abatements restrict the City from doing anything. Mr. Johnson said the \$148,000 is divided between the General Fund, Road Fund, Debt Fund, Police and Fire Fund and has a very small impact. He said one-third of that affects the General Fund, \$50,000 hits the Funds and it is much smaller on the other Funds. Mr. Johnson said once the tax abatement expires, The City gets full taxable value.

Member Mutch said the Pension Liability that they have outstanding, approximately \$30 million, is significant. He asked how that liability was calculated and when does it become due. Mr. Johnson said they have \$54.9 million available that they have already contributed to fund a \$97 million liability. That liability is calculated by taking everyone that has already retired, plus everyone who is working and is eligible for a pension benefit and projects how long they will live. He said actuaries are never right because all that is impossible to determine. That would be their best guess on what the future liability will be. The annual contribution payments that they make to the retirees are about \$5 million a year. If they didn't fund another dime, \$5 million towards the \$54.9 million is many, many years. They are fortunate the significant increases they are seeing in hey contribution they can absorb to a point. They are doing everything they

can to maximize returns and minimize the liability. Member Mutch confirmed with Mr. Johnson if they continue to contribute over the next 25 years or so that they should be fully funded at 100%. Member Mutch said they can thank Kathy Smith-Roy many years ago for telling Council they could no longer afford the pensions and that they needed to go in a different direction similar to what Oakland County was doing. That has really helped Novi. Member Mutch noted he felt that the departments usually asked for a little bit more in their budgets with the thought that if Council cuts the budget, they would still have what they need. He said Council would get frustrated and wonder why they would have \$2 million or \$3 million dollars that could have been spent on infrastructure and services and they never saw it. He was glad to see that variance came down. He confirmed with Mr. Johnson that none of the departments overspent their budget. He noted that they were 1.4% under budget, excluding the rollovers. Member Mutch said they had asked the departments to be a little more realistic in their budgeting. This was an impressive accomplishment as well. Member Mutch wondered how much the C.I.P. Millage would bring in, which was being levied for the first time this fiscal-year. Mr. Johnson said the levy was \$3.4 million. He said a lot of the Capital proposed was in the Public Safety area. Member Mutch mentioned the tax abatement disclosure and he was happy to see that. He said the \$150,000 reflects the existing tax abatements for buildings that have been completed. He believed it wasn't until the second year in that they would see the full valuation. He didn't think this report would reflect the full impact of the tax abatements. Mr. Johnson confirmed what was in this report was this fiscal-year only. If they granted an abatement mid-way through last year and they just started construction then the dollar value would be less. This is the actual taxes abated during the fiscal-year ending June 30, 2017. If there was \$20 million worth of abatements that were constructed next year then that number will be significantly higher. Member Mutch stated he thought that was an important point because \$150,000 in the scope of the City's overall budget was not a huge number. He felt it didn't fully reflect what's out there in the pipeline because the numbers given to them by the Assessor gave them a pretty good idea of how much will be approved for the abatement process. He commented that the numbers will continue to grow over the next several years.

Mayor Pro Tem Staudt stated several years ago when they reviewed what they were going to do with unfunded Pension Liabilities they put together an amortization schedule that was over a period of 10-years. He wondered if they were adjusting that schedule or starting it over. They had a plan outside of getting a bond and paying it off at one time. They had planned to do it over a period of 10-years. How do they deal with the fact that the actuarial numbers have changed dramatically in the last couple years. Mr. Johnson said changes in assumptions of \$3 million to \$4 million, unfavorable investment returns in 2016, they lost 5% that year, where they were used to gains of \$5 million or \$6 million in returns. That put the unfunded liability at \$37 million which would be \$3.7 million annually to pay off over a 10-year period. With the tightening of the budget and the unfavorable increases in property taxes, and the inflation rates being so low, they historically have paid a little extra towards the Pension Liability. The last 2-years inflation has been so low they haven't been able to budget that in as well. They are monitoring it, but at this point it is something they can't address in a 10-year period,

it would be more of a 20 to 25-year period. Mayor Pro Tem Staudt wondered if they are going to have some type of document that proposes that for their goal setting this spring. He said he always looked at that as the way to pay off the bills. They are going to be long gone from City Council in 10 or 20 years, at least it gives a guideline to where they have to be. Mr. Johnson said absolutely, it certainly will be there.

Mayor Gatt said he wanted to set one record straight that Member Mutch brought up. He said the first Mayor that brought up OPEB was Mayor Csordas. He came to them with full knowledge of the subject. Up until then he said the City did not do much talking or thinking about it. It was around 2003 when he first entered Council with Mayor Csordas and Kathy Smith-Roy and everybody since has done their part.

3. Comprehensive Financial Audit for year-end June 30, 2017 – Plante & Moran

Martin Olejnik, partner with Plante & Moran, was on the audit along with Alicia Watkins, Manager of the audit. He said Mr. Johnson covered many of the numbers in detail. First on the financial statements, Novi received a clean opinion and they should expect that every year. If it were compared to report cards, they would have received an A. The budgets stayed within and had a positive variance. The Pension and OPEB were doing well. The average for OPEB is 20% funded, so Novi is exceeding that. The letter is broken into 4 sections. In Section 1 they would find any internal items that were found during the audit. They did find a couple of adjustments that had to be made to the records. Everything was accurate and full accrual and they did find some adjustments with the Capital Assets in the Pension. It didn't change the budgeting. In Section 2 are the required communications to those charged with governance in response to letter from before audit. He was pleased to announce there were no issues.

Ms. Watkins spoke about Section 3 which is where they cover any other observations that they make during the course of their audit that they think need attention. They have communicated in the past and had some positive outcome. First was the fact that there weren't dual controls. They were pleased to report that it was corrected and dual controls were put in place. The other item was agency fund accounting which takes a look at escrow accounts. Novi's team had a tremendous workout and they've continued to encourage that process. They were happy to see this year during the audit they could see a significant improvement. Many have been reconciled with a handful to still be completed. Section 4 was informational. On page 8 it shows the highlights. There has been a lot of talk about legacy costs and how it's being handled. Starting next year, the unfunded OPEB liability, if there is one, will have to be reported on the balance sheet. She said they may or may not have a liability next year. Mr. Olejnik thanked them for working with them. He said they know it's a burden to answer their questions.

Mayor Gatt thanked them for all their work. He commented that the last two Audit Reports made him proud. The Council and prior City Councils have worked diligently to be up front with all figures and they are doing a great job. Many municipalities would

give anything to be in our position. It didn't just happen; they hire the best people, and Council is dedicated to being transparent and open. This report shows that.

Mayor Pro Tem asked if they could give their view about the \$23,400,000 in debt compared to other cities. He thinks it's underrated that the City has adopted "pay as you go" with millages instead of borrowing. He asked if they were aware of any other cities with these numbers. Mr. Olejnik said he wasn't aware of any. He said it's unusual to be that low. Mayor Pro Tem said if they compared operating millage and overall millage, ours is much lower than others. He believed that was a result of diversification and mix of residential and commercial. They have been extremely focused on that the last 6 or 7 years. He asked if other communities were still struggling. Mr. Olejnik said a lot of communities have a good short term view, but their long term is not great. OPEB and Pension are underfunded for most others around 20%. Novi being almost fully funded on OPEB is a huge accomplishment. That shows dedication by the City. Ms. Watkins said some communities that have a lower debt load; they have depleted their Fund Balance.

Member Mutch asked about reporting OPEB and pension liabilities. They show on balance sheet, but they are reporting standards and don't require the City to do anything about addressing those liabilities long term. Ms. Watkins said that was true for OPEB, the state does require the pension to be funded. Mutch said they are making the effort. People will see the numbers, but it's driven by the state to fully fund those. He asked about the numbers not being accounted for and having to make corrections. It didn't affect the opinion. The matter of those corrections that needed to be made was small. Mr. Olejnik said the adjustments were found and made. All numbers have been adjusted and based on their testing, they are accurate. Member Mutch wondered if they discovered it during the audit. Mr. Olejnik confirmed they found it during the audit and the adjustments were made to the financial statements. If they were not able to be granted access to some documents then they wouldn't have been able to give an unmodified opinion, because they wouldn't have been able to say all of the numbers were accurate. There were no disagreements.

Mayor Gatt reiterated what Mayor Pro Tem said earlier that nothing they reported happened by accident. It took a lot of diligent work.

MANAGER/STAFF REPORT:

City Manager Auger mentioned that at a previous meeting a citizen spoke about an emergency response taking 25 minutes to respond. He was surprised, as he is usually kept apprised and he couldn't recall that occurring. The staff did some research and were unable to locate a run that took 25 minutes to respond to. He also took a moment to introduce Jeff Herczeg, the new Department of Public Services Director. Mr. Herczeg said he was excited to join the family. He said he was looking forward to working with staff and City Council for a long time.

AUDIENCE COMMENT:

Michael Salemi, 21129 Chase Drive, said author Joseph Heller introduced them to Catch 22. It is a paradox where a solution is impossible due to contradictions. It was an entertaining movie that left theaters generations ago, but it is still playing in Novi. He said four important items were on the agenda about tax abatements. These are complex matters that deserve more than a brief discussion because they have irreversible consequences. Council has only informed the residents about them last week. The packets of information were posted last Wednesday night, just hours before a holiday weekend. To prepare a proper commentary with visuals they have to have them prepared a week in advance before the information is available. That is the Catch 22. City Council will approve all of the proposed tax abatements. Former Council member Justin Fisher said he did not want Novi to become known as a city of tax abatements. The pace of these proposals has been accelerating. He said they never measure the results. There was no accurate data used and there are very brief discussions, with very little questions and answers. There really is no opportunity for people to have a say. Abatements were made with promises or threats. Promises of investments and job creation or threats of we will go elsewhere. These are meaningless since there is no review or consequences. For example, Stoneridge announced their move to Novi a full two months before they approved the tax abatement. Harman Becker had purchased property, had building plans in place and was in the process before the tax abatement was approved. Recently acquired by Samsung, they pay out about \$3 billion per year in stock dividends. They are losing \$2.4 million in taxes there. They round off more than that on financial statements every quarter. Global Wind Systems in 2009 was granted a \$7.3 million tax credit, and said they would employ 350 people in a \$32 million facility headquartered in Novi. They are out of business now. Tonight two abatements were before Council and they represent a tax loss of \$9 million. Please slow down and get the data correct. They are unnecessary and represent a loss. All four of these proposals are predetermined by the City Manager. The decision has already been made; the paperwork was already approved just ready for a signature.

A Novi Resident said he was pleased to see the listing of current tax abatements and how it affected us last year. The thing that was lacking was what's in the pipeline and how will it affects the city in the future. He would like to see something pulled together based on estimates of completion. The other comment he had was on the Pension funding. While we're great at 60% compared to others cities, 60% in a commercial environment is not a good place to be. That should be caught up. He doesn't like to compare to other cities and claim they are doing a wonderful job. How much is due to stock market? He also mentioned the 25 minute response time. If they couldn't find a record, he wondered if the citizen was contacted to find out what really happened.

CONSENT AGENDA REMOVALS AND APPROVALS:

CM 17-11-169 Moved by Wrobel, seconded by Mutch; MOTION CARRIED: 7-0

To approve the Consent Agenda as presented.

- A. Approve Minutes of:
 - 1. November 13, 2017 – Regular meeting
- B. Approval of Ordinance No. 17-187.01, an Ordinance to amend the City of Novi Code of Ordinances, at Chapter 26, "Peddlers, Solicitors, Commercial Handbills," Section 26.1, "Definitions," Section 26.3, "Non-Commercial Solicitation Permits," and Section 26.10, "Hours of Operation" in order to conform existing regulations relating to charitable solicitation in rights-of-way to state law. **SECOND READING**
- C. Approval of resolution recognizing the Novi Youth Assistance as a nonprofit organization operating in the City of Novi for the purpose of obtaining a charitable gaming license from the State of Michigan.
- D. Approval of resolution recognizing the Novi Police and Fire Benevolent Association as a nonprofit organization operating in the City of Novi for the purpose of obtaining a charitable gaming license from the State of Michigan.
- E. Approval of the final payment to Audia Concrete Construction, Inc. for the 2017 Concrete Panel Replacement (CPR) Program project in the amount of \$27,603.28, plus interest earned on retainage.
- F. Approval to award an engineering services agreement with Spalding DeDecker Associates for construction engineering services for the Dixon Road Sanitary Sewer Extension project (Contract Special Assessment District 182), in the amount of \$21,666.
- G. Approval to purchase a 2018 Ford F-350 Service Body, 4X4 Pickup Truck from Signature Ford Lincoln, using the Macomb County Cooperative Purchasing Contract, in the amount of \$45,037.00.
- H. Approval to purchase a 2018 Ford F-350, 4X4 Crew Cab Pickup Truck, from Signature Ford Lincoln, using the Macomb County Cooperative Purchasing Contract, in the amount of \$32,013.00.
- I. Approval to purchase two 2018 Chevrolet Colorado extended cab 4x4 Chassis for Community Development and Forestry from Berger Chevrolet Inc. using an Oakland County Contract, in the amount of \$54,194.
- J. Approval of ownership transfer to a 2017 B-Hotel (with 238 rooms) and specially designated merchant licenses with eleven (11) bars, Sunday sales permits (a.m. & p.m.), dance-entertainment permit, specific purpose permit (food), and outdoor service (2 areas) from VI-LCP Novi Owner, LLC to Haggerty Novi Owner, LLC, located at 21111 Haggerty Rd, Novi, MI 48375.
- K. Approval of Claims and Accounts – Warrant No. 1000

Roll call vote on CM 17-11-169

**Yeas: Breen, Casey, Markham, Mutch, Wrobel,
Gatt, Staudt**

Nays: None

MATTERS FOR COUNCIL ACTION

1. Approval of the request of ROGVOY Architects for Zoning Map Amendment 18.719 to rezone property in Section 23, located on the southwest corner of Grand River Avenue and Meadowbrook Road, from NCC (Non-Center Commercial) and OS-1 (Office Service) to GE (Gateway East). The subject property is comprised of two parcels totaling approximately 9.48 acres. **FIRST READING**

Member Casey said the zoning request is for an auto dealership. The dealership proposed is a competitor to the dealership that is currently across the street. The existing dealership is a third party franchisee who sells products from her employer, General Motors. Since they were dealing with her employer and a competitor, she said she could not be objective and requested her fellow Council Members allow her to recuse herself from this vote.

Mayor Pro Tem said he didn't agree with that. He thought she could distance herself; it was a multi-billion dollar corporation. He felt it this should be a unanimous vote and he wouldn't support it.

Member Breen said if Member Casey felt she could not be objective, they shouldn't force her to vote.

CM 17-11-170 Moved by Breen, seconded by Gatt; MOTION CARRIED: 6-0

To approve Member Casey's request for recusal.

Member Mutch asked the City Attorney to give them some guidance and clarify the standard of what would be appropriate for a recusal. Mr. Schultz said per the City Charter it states that Council Members are not permitted to vote where they have financial interest or where the issue concerns their conduct. He said he indicated to Member Casey that he wasn't sure he would call this a direct financial interest; however the Charter goes on to say that the member can request to be recused from voting in an appropriate circumstance. The Charter doesn't necessarily refer to any particular "other" ethical standards. He thought there was certainly state law basis to argue that Member Casey might have a financial, or a more likely personal, interest. He didn't see any problem with the request to be recused. The Charter states it will have to be a unanimous vote.

Member Mutch said if this rezoning request was granted, then they would have another issue coming before them with the same applicant, so they would be dealing with the same conflict of interest as well. Mr. Schultz wanted to clarify that he was not sure he would call it a conflict of interest either. Every property owner that comes before Council is entitled to a fair and objective decision. This property owner is entitled to that also. It may not be a conflict, but our Council Member has indicated that she doesn't feel she could be objective, and that may have implications if she is not recused from the vote. It will happen again at the next meeting as well if the rezoning occurs. Member Mutch appreciated Member Casey bringing this forward and clearly stating that she had a concern and she felt it would be appropriate to ask that she be recused from the vote. He was having a hard time understanding the nature of that because it opens the door for future requests for recusal. Mr. Schultz said the City Charter states that you have to vote unless you are recused and the intention was that those situations are few and far between. The issue here was whether Member Casey linked up her work and her ability to function in both positions well enough for her to be recused. Member Mutch said Council has the authority as a group to vote on the recusal, but he is asking from the legal perspective, does her statement on the record create a problem if the Council decides not to grant that recusal and requires her to vote. Mr. Schultz replied that it is an issue and it does need to be considered by Council when they vote. Member Mutch said if the decision went in the direction where one party felt aggrieved, the first topic to come up would be that Member Casey asked to be recused.

Member Breen said this particular item looks like it has two issues combined into one. There was a rezoning request to conform with the Master Plan and there is also a request that there will be a car dealership there. She asked if there was any way to accommodate Member Casey by separating this into two motions. City Attorney Schultz confirmed that this was two separate motions if the rezoning were to pass tonight and at second reading there would be a separate for a special development option and it will go through the Planning Commission and City Council review process. The rezoning is essentially at the request of the applicant, and they know who the applicant is representing. If Council votes not to allow Member Casey to be recused, then she will vote on the rezoning and then they will have the conversation again when the actual application for the land use comes up later.

Mayor Pro Tem Staudt said his concern was that in ten years he could only remember two recusals and both were clients of somebody. When you work for a multi-billion dollar company there are a lot of tentacles out there. He was very confident that Member Casey could make an impartial decision, however he was hearing from a legal standpoint that they have put themselves in a difficult spot already. He said he will vote to recuse, but he didn't see the issue.

Mayor Gatt said he admired and respected Member Casey. In his 14 years on Council, the only recusals on Council that he ever voted on were people that had a financial interest in the subject. He said he supported her decision because he knows she is speaking from her heart.

Roll call vote on CM 17-11-170

**Yeas: Markham, Mutch, Wrobel, Gatt, Staudt,
Breen
Nays: None
Abstain: Casey**

Member Casey abstained from voting, left Council Chambers during the discussion, and returned after the vote had been taken.

Mayor Pro Tem Staudt said this was an extremely old piece of property that has been sitting available from many years and they have had very few people interested in developing this property. He had some issues; it was part of a landfill and abuts a residential area which probably has some folks concerned. The plan for this takes that into consideration. He asked what types of buffers would they have to keep that area residential in nature. Mark Drain with ROGVOY Architects said the natural features and topography make a natural buffer. He stated approximately 130 feet of area will be natural and be part of their Stormwater Management Program. Mayor Pro Tem Staudt asked if they spoke to HOA. Mr. Drain said they wouldn't have access through Cherry Hill, but one access point off of Meadowbrook and one off Grand River. Mayor Pro Tem Staudt asked if the access will be close to the funeral home. Mr. Drain replied yes. Mayor Pro Tem Staudt asked if they have spoken with the owners of the O'Brien Funeral Home. Mr. Drain said yes, they would consider a shared access if it was physically possible, but that has yet to be determined.

Member Markham said her initial thoughts were that she liked the idea they were trying to rezone to meet the Master Plan. There have always been problems with NCC zoning district and buildability. She was concerned that they do not often use a Special Development Option (SDO). When this comes for the second reading, she was concerned about where in the process City Council would be able to comment and have their input considered. As she read it, it seemed like a lot of decisions were made, like with the PRO option in residential, where everything gets processed and worked out before they see it. She was concerned about that but will support the rezoning. She has a lot of concerns about the car dealership proposal itself. She would like to see them retain natural features and use them as buffering areas. She liked the idea they are speaking to development next door about access. She didn't like restrictive entrances and exits. If they are already thinking the parcel is too tight, those are the questions she wants to ensure get considered. As Council, it's on them to grant Special Development Option (SDO), but she wanted the ability to make comment at that point.

CM 17-11-171

Moved by Mutch, seconded by Markham; MOTION CARRIED: 6-0

To approve the request of ROGVOY Architects for Zoning Map Amendment 18.719 to rezone property in Section 23, located on the southwest corner of Grand River Avenue and Meadowbrook Road, from NCC (Non-Center Commercial) and OS-1 (Office

Service) to GE (Gateway East). The subject property is comprised of two parcels totaling approximately 9.48 acres. FIRST READING

- 1. The rezoning request is consistent with the recommended land use for the subject property in 2016 Master Plan for Land Use, and will be consistent with the existing zoning to the west;**
- 2. The rezoning provides an opportunity for developing the subject property in conformance with Master Plan for Land Use recommendations;**
- 3. The Master Plan for Land Use objective to foster a favorable business climate is fulfilled by accommodating a rezoning request that will allow a business to make investments in the City of Novi.**
- 4. The rezoning would increase combined development potential of two separate parcels which are currently have two different zoning classifications.;**
- 5. The rezoning puts a vacant parcel to use and will have no negative impacts on public utilities; and**
- 6. The rezoning is the first step in the process; the applicant will still need to seek the required site plan approval for any development project.**

Member Mutch said the request was consistent with the Master Plan and the intent of the Gateway East District to continue the Main Street style development heading east to Meadowbrook Road. They've recently had some development on the south side of the road with the Huntley Manor apartment complex and he believed some of this adjoins that. He can support the zoning request at this time for those reasons. He said they didn't get anything to show proposed plans; none of it is under consideration. The Special Development Option (SDO) will bring something forward at a future point and how well it conforms to ordinance standards. He supported the rezoning request.

Member Breen wondered if there was an example of a SDO that the City has used before. City Manager Auger said the Cadillac Dealership was the same basic process. Member Breen wondered if there was any type of an agreement the City had with the Cadillac Dealership that a similar business couldn't be within a certain distance. City Attorney Schultz said no, they could not do that. Member Breen said several residents that responded to the notice for the Planning Commission meeting. She asked what type of notice residents received for this Council meeting that this was up for rezoning tonight. City Attorney Schultz said the only Public Hearing that is required by law is before Planning Commission. Once that Public Hearing is noticed and held, there is nothing for the City Council meeting.

Mayor Gatt said this has been a vacant piece of property for 43 years, it. He thought a high end car dealership would fit well. He felt it really didn't about the subdivision behind

it very much. He believed the residents wouldn't be bothered at all. He said he was fully in support.

Roll call vote on CM 17-11-171

**Yeas: Mutch, Wrobel, Gatt, Staudt, Breen,
Markham**

Nays: None

Abstain: Casey

2. Approval of Resolution to establish an Industrial Development District by its owner Granite REIT America Inc. for parcel 50-22-12-200-026 at 39600 Lewis Drive.

CM 17-11-172 Moved by Staudt, seconded by Wrobel; MOTION CARRIED: 4-3

To approve of the Resolution to establish an Industrial Development District by its owner Granite REIT America Inc. for parcel 50-22-12-200-026 at 39600 Lewis Drive.

Member Markham said she was not in favor of this proposal. She said she doesn't think it's necessary to give tax relief to some companies. There are over 7,000 businesses in this City. They operate here very well and do it without tax abatements. She said she would ask for it if she was a business person because the state allows them to ask for it. She could not support giving tax dollars to the profits of the big corporations with very little background information provided. The other point she wanted to make was about the notification of the Public Hearings. She would like these types of publications to be in the Novi News and on the website for easier access. She said for them to get the information after hours the night before the Thanksgiving holiday weekend was unrealistic and not enough time to properly evaluate and get citizen feedback on this tax relief. She said she would not support any of the tax abatements before them.

Roll call vote on CM 17-11-172

Yeas: Wrobel, Gatt, Staudt, Casey

Nays: Breen, Markham, Mutch

3. Approval of Resolution authorizing application from Hanon Systems USA, LLC for an Industrial Facilities Tax Exemption Certificate for new improvements to approximately 216,830 square foot facility located at 39600 Lewis Drive and related Agreement concerning Industrial Facilities Tax Abatement.

City Manager Auger said this was an exciting project and will fill a vacant building that was vacated by Magna Seating. One of the reasons they moved out was that the building was obsolete for today's technology. Hanon is investing \$24 million to update it and to bring their facilities into Novi. They will bring in high end jobs and they signed a 20 year lease for the facility. They want to be here for a long period of time.

Mayor Pro Tem stated this particular company had 363 new jobs proposed and \$2.6 million over life of this contract in tax abatements, but also \$2.6 million in taxable revenue. He said people were wrong if they thought these companies were going to

come to Novi and stay here without participating in economic incentives. He stated they have talked to other companies who wouldn't have come without an abatement. To say otherwise is calling them a liar. He said the other benefits are that Oakland County and the State of Michigan make recommendations where companies should be located. He said frequently it's Novi. If we start rejecting these, we will fall off the list. They will truly see the effects with fewer large developments, fewer new companies, and fewer new jobs. He asked the applicant to come forward. He said they have heard from different speakers that they are providing corporate welfare. He wondered what their position was on this. Marty Score, a representative from Hanon, said he wasn't a financial expert and he couldn't say if it was corporate welfare. He said they are going to make a substantial investment, about \$18 million in real property investment that goes on the tax rolls. He heard comments about corporate welfare and that they could afford it and could make the investment on their own. They've looked at alternatives. He said there are tangible benefits to being in Novi. They want to be here and something like a tax abatement would make it possible. Mayor Pro Tem Staudt stated they have other options for their company. He said they have to make good business decisions and there are other cities that are willing to work with them. Mr. Score replied, yes. Scott Cave with CBRE said he wanted to speak on this issue also. They are acquired as the real estate broker, owner's representative, and project management to oversee the project and present multiple options to the client. There were choices throughout the State of Michigan and other states as well. Mayor Pro Tem asked them to talk more about their company and being a Canadian company. Mr. Score said the owner of building is a Canadian company. Hanon Systems is actually a tier one auto supplier and they are just the tenant in the building. Granite REIT America Inc. owns it, but Hanon Systems would derive the benefit of the tax abatement.

CM 17-11-173 Moved by Staudt, seconded by Wrobel; MOTION CARRIED: 4-3

To approve of the Resolution authorizing application by Hanon Systems USA, LLC for a 12-year Industrial Facilities Tax Exemption and Agreement concerning Industrial Facilities Tax Abatement subject to approval by the State Tax Commission pursuant to Public Act 198

Member Mutch said he would not support the motion. He understood the financial factors driving the request. He said for a large part, businesses have come here without relying on tax abatements. He didn't agree with Mayor Pro Tem in terms of the best way to approach business development in Novi. He said he didn't view the company negatively because of the request. The State of Michigan provides them the opportunity to ask for one. He said he doesn't believe in an economic development strategy that relies on incentives. He said they tell everyone that they are the greatest City out there, but they have to grant tax abatements to get business to come here. He said they may miss out on opportunities, but he thought the fundamentals are such that Novi has a compelling story to tell to potential businesses. He said he is willing to take that step to enable us to continue to provide the highest level of services possible

and a fair and balanced playing field to those that do want to come here. He believed they would still be successful in continuing to attract businesses to Novi. He doesn't believe the argument that without the tax incentive they wouldn't get development. That's not the case. They don't offer incentives to home builders because they will build here regardless. They don't offer incentives to commercial builders because there is demand. He appreciated their interest in the community and that they have other options, but he doesn't want to get into the pattern of granting tax abatements.

Member Casey said they've had nine different tax abatements in the last couple years. She has had to state that she is an employee of General Motors and she works for the Global Connected Customer Experience Group. Her role has no involvement with suppliers and the applicant has listed GM as a very small customer. She has no benefit and no problem being impartial. She asked the City Manager if they had a four year claw back. She said it originally it was two years on an eight year abatement, and now was four years on a 12 year abatement. City Manager Auger confirmed that was correct. Member Casey asked the applicant to talk more about contributions to communities in which they are involved. She is interested in the local area in which their facilities are located. Mr. Score said in VanBuren Township they get involved in the elementary school reading problems and Habitat for Humanity. He said the biggest thing was an employee initiative for an annual golf outing for U of M Diabetes Research. They have raised hundreds of thousands of dollars over 35 years. Employees are active and involved in the community. Member Casey said looking back at her position on previous abatements, there have been some she supported and some she that she didn't. She stated that she looked at the policy and felt the applicant does qualify based on the investment, the number of new employees, and moving into an existing building that has been vacant making significant improvements. For those reasons she will support this abatement.

Member Breen said her first statement agreed with Member Markham. The timing of this is unfortunate. The information regarding the abatement was posted after the close of business on the Wednesday before Thanksgiving. She would like to table this for another week so that the people of Novi have more time to review the information presented by this company. She did thank them for being there that evening and appreciated the investment that they wanted to make in Novi. She said she didn't feel it was fair to the citizens. There is a lot of controversy about tax abatements.

CM 17-11-174 Moved by Breen, seconded by Mutch; MOTION FAILED: 3-4

To postpone the approval of the resolution authorizing application by Hanon Systems USA, LLC for a 12-year Industrial Facilities Tax Exemption and Agreement concerning Industrial Facilities Tax Abatement subject to approval by the State Tax Commission pursuant to Public Act 198.

Mayor Pro Tem Staudt said they have had the packet since last week. They have the responsibility and at end of day it's their vote. The residents have elected them to do that. Ultimately it's Council's vote. He said he was opposed to postponing.

Member Markham said she believed everyone on the Council does their homework. They take their responsibility seriously. She said although the material was in the Administrative Packet and Council had the chance to see the information, she thought the residents had a right to public information about big issues when they are talking about alleviating millions in tax revenue. They may vote differently than what residents have to say. She thought they had a right to the information and it was unfair that the packet wasn't released until Wednesday night. She said she would support the motion.

Mayor Gatt commented that they were elected to make these tough decisions. He said he would not support the motion. He said the packet of information came out one day earlier than normal. He said whether it was a holiday or not, the residents had the opportunity to read the material.

Roll call vote on CM 17-11-174

Yeas: Breen, Markham, Mutch

Nays: Gatt, Staudt, Casey, Wrobel

Mayor Gatt said one of the Council Members made a casual remark considering they are voted for by the public to look out for their best interest. Another Council Member said there are 7,000 businesses in Novi. He thought they were about 3,500 businesses in Novi. They have granted about 12 tax abatements in their history. He asked Finance Director Johnson to come down for a few questions. He asked how many checks has the City written to the businesses that get tax abatements every year. Mr. Johnson replied that there are no checks from the City to any business for abatements. Mayor Gatt asked how could that be when everyone says they are losing money and giving the money away. They pay half of what they would normally pay for a set period of time. Mayor Gatt said they still pay money to the City. If they are getting something at all, then they were not losing anything. In a matter of years, then the City get it all. He asked how much the schools get. Mr. Johnson replied that the schools get 100% of the tax dollars. Mayor Gatt asked the City Manager what the steps were to get a tax abatement. Mr. Auger said they have to have something from the MEDC at the State of Michigan. In order to get those MEDC incentives, they need local commitment. If they are being lured elsewhere and they need some re-training grant that state offers, they need a local match to make that happen. That's when the City becomes involved in the process. They look at the policy and how the company would fit in and if they would bring value to the city. They have to work with staff through the application process and meet all of the state guidelines. Mayor Gatt stated it was a long and arduous process before they went before Council. Mr. Auger said it could take several months.

Roll call vote on CM 17-11-173

Yeas: Staudt, Casey, Wrobel, Gatt

Nays: Breen, Markham, Mutch

4. Approval of Resolution to establish an Industrial Development District for SEHN Novi LLC for parcels 50-22-01-200-018, 50-22-01-200-026, and 50-22-01-200-027, and on Fourteen Mile Road.

Member Breen said she wanted to make it clear that she was not trying to dodge a hard vote. She thought about this extensively. There were real concerns on both sides for granting tax abatements. Research shows measuring their effectiveness is hard to do and she didn't take this lightly. When she sees a company coming to Novi and they are selected amongst other companies, she felt they were picking and choosing things that are not in the best long term interest. She had the opportunity to review the information, but residents haven't had that chance. She cannot support this proposal. She wished the company luck, but for reasons previously stated, she felt it wasn't in Novi's best interest at this time.

Mayor Pro Tem Staudt said he has been a Council Member for 10 years. He has given his support on all of the tax abatements that have come before Council. He understands the process. It's not for the weak of heart; there is a lot of work that goes into it. He referred to the comment made that tax abatements are being made more frequently. He said he wears that as a badge of honor. That means the MEDC, Oakland County and companies from around the world recognize Novi as the place to be.

CM 17-11-175 Moved by Staudt, seconded by Wrobel; MOTION CARRIED: 4-3

To approve of the Resolution to establish an Industrial Development District for SEHN Novi LLC for parcels 50-22-01-200-018, 50-22-01-200-026, and 50-22-01-200-027, along Fourteen Mile Road.

Mayor Pro Tem Staudt asked the applicant for an overview of their company and why they were seeking a tax abatement to locate in the City of Novi. Nicholas Maloof, Associated Environmental Services, a consulting firm who was representing SEHN LLC (owner of the property) said his clients had a purchase agreement to purchase that property. There are many difficult issues with this property, from the topography, fill, concrete debris, and a number of other issues on the property. He said if you look at the cost of the development, it has made that property economically unfeasible to develop. He said eight other developers had looked at this property before their client and all walked away from it. Their client is willing to step up to the plate, but is asking for some help, to invest their \$45 million into this property. They plan on creating 240 jobs in the City, with a payroll of almost \$16 million annually. They are planning on building a Corporate Headquarters which is comprised of 21,000 square feet of office space and 215,000 square feet of e-commerce and lab space for their business. He stated that currently this was an undeveloped piece of property and they have had numerous issues related to development. He said that is why they are asking for help. He showed them a rendering of the facility that was proposed. They have been working with the City for some time to work through the process. They do their homework. They are working with the MEDC, which supported the request for tax

abatement, as well as some training dollars through Oakland County for training staff. Mayor Pro Tem Staudt confirmed they are looking at \$45 million investment. Mr. Maloof confirmed they plan on 240 employees coming to Novi. That doesn't include anything beyond two years. His client plans to hire more after two years, so it will likely be higher than that. Mayor Pro Tem Staudt asked what their alternative was if Council did not approve the abatement. Mr. Maloof said they have looked at multiple sites including one out of state. The MEDC supported the project because they want to keep jobs in Michigan.

Member Mutch also commented on the communication issue that affected residents. He said he felt there was too little information provided to City Council as well. From the information provided, other than statement, he didn't have information that showed what those costs were. He said even something as basic as a site plan was not included. The rendering was nice, and he could somewhat visualize, but it didn't tell him how it will work on the property. They said they were going to protect environmental features, but he didn't have anything that showed him that. He couldn't quantify what that benefit was. The other point was the MEDC's involvement through the State. He wondered what support the MEDC was providing. Mr. Maloof said they were supporting an abatement and several hundred thousand dollars in training grants to his client for the development and their employees. Member Mutch said the MDEC would waive the 6 mill education tax that they would normally pay and make that up in other ways. Mr. Maloof said through the budgetary process that is made whole to the schools. This approval is a prerequisite for any other incentives that his client will be applying for MDOT funding or other grants through the Businesses Development Program through the MEDC. Member Mutch asked if they were looking for income tax relief. Mr. Maloof said for the five year window they were looking at a potential grant being giving for each job created, but there are claw back provisions and there is accountability. If these jobs are not created, his client would lose that benefit and has to pay it back. Mr. Maloof mentioned between MDOT and the Business Development Program, potentially it's another \$1.5 million to offset costs as well as contributions from Oakland County. This project will diversify and bring e-commerce type work. It will also be constructed by a local company, Oliver Hatcher. In addition to the actual business coming in, there is a local business that is hiring and managing its employees in the City building this project. Member Mutch said he appreciates that, but in the future he felt City Administration should include that information.

Member Casey said she wanted to talk more about what they do as a company and how they were involved in their community. The applicant said in the City of Warren, the employees have got together with charities that help domestic abuse and sexual abuse victims; they donated toys and gifts to families to help have a Christmas. They have also worked with Toys for Tots. They place bins around to collect toys for that charity. They also worked with Detroit Parade Company to donate tools and supplies. They also work with the 8 Mile Boulevard Beautification Association to provide upgrades. They have worked with Gleaners Food Drive and with Warren Lincoln High School to provide internships for students and have their employees take machining classes with their school administrators. Member Casey said she does agree with some

of the previous speakers and the concerns about completeness of packet. She asked them to talk about how they consider themselves as a high technology company. A representative stated he has been a resident of the City of Novi for 13 years and he brought this to the table tonight. He said the sales and marketing group takes information from the machine itself all the way through the channel to their automated warehousing system that supplies the tooling for General Motors to make parts for a car. This facility is automated in a sense from the machine to their warehousing system. They do a lot of e-commerce business also. They conduct business through web portals and various platforms in North America. The whole front office is people putting those applications together for them. Member Casey said they spoke about the topography of the site and it looks like from the aerial that there will be places where they will be putting in pathways. She asked if the public would be allowed to use those or were they specific to their property. The representative said they may not have addressed that yet. The architect responsible loves it and the idea behind a walking path was to take advantage of site and potentially open it up along the river side. Member Casey said she looked at the policy and what led her to support this was that they are new and interesting technology. They are making a significant investment to a property that has been walked away from before. She appreciated that they were willing to work with the topography. Understanding how they fall into policy, she said she would support this proposal.

The Mayor said he will support the motion. He supported all of the tax abatements. He believed Novi is a great City because we have a perfect blend of residential and commercial. He doesn't like tax abatements, but they exist and are in the toolbox of every municipality now. He isn't willing to take the risk that other Council Members are. He said he didn't think it was corporate welfare, but it is a game they have to play. If Novi wants to stay in the game, they have to play it. They don't write checks on abatements and they aren't losing money. They may not be getting as much as they could. They can still improve roads, hire more police and fire, and do everything they want to do. He felt the majority of residents were behind what they have done over the years.

Roll call vote on CM 17-11-175

Yeas: Casey, Wrobel, Gatt, Staudt

Nays: Breen, Markham, Mutch

5. Approval of Resolution authorizing application from Production Tool Supply Company LLC dba Berkshire eSupply for an Industrial Facilities Tax Exemption Certificate for an approximately 210,000 square foot facility to be located along 14 Mile Road and related Agreement concerning Industrial Facilities Tax Abatement.

City Manager Auger said the reason staff worked hard on this project was that they have seen many developers look at this property. Due to the topography and the number of trees, everyone has walked away from it. This company knows they have to invest a lot of money and they want to keep as many trees as possible. They are looking

to replace trees on property. They are following what City Council told staff they wanted. They are already looking at investing more money into this property.

Member Mutch questioned the applicant on how the facility will function and if it had a logistics component to it. He wondered if it will be primarily truck traffic. The representative replied, yes, mainly UPS. Member Mutch wondered what volume of traffic they would see coming in and out of there. The representative said UPS would come and drop off a trailer every day, they would fill the trailer up, and then they pick it up at night. He said they would have some trucks during the daytime, but not many. Member Mutch confirmed with the representative that if they expand, they expect to maintain that volume. Member Mutch said he knows the location is challenging already. He asked about a reference to MDOT. Mr. Maloof replied according to discussions with the Planning Department and MDOT, they will require a deceleration lane and a stop light. Member Mutch mentioned it would be helpful if those other considerations were shown in the packet. He said from his perspective on tax abatements, if someone has additional funding for infrastructure that actually is something he looks at very positively on. It would help sell the proposal. It does offset what the City is foregoing. He asked them to talk about the expansion plans down the road. The representative said the expansion plans would include a small lab relative to what we had planned across North America. The typical e-commerce facility is going to be on the order of three to four times that. It is really meant to be an incubation site for what they want to do across the country. He also mentioned an opportunity to put another 60,000-80,000 square feet on the north of this. He said it would potentially add another 30 to 50 employees. Most of the expansion would be north of Novi. Member Mutch wondered if they had any long term plans to have access to Haggerty Road. The representative replied, no, they are trying to avoid that. He confirmed there is a gated access there to access the ITC easement and the cell towers. Member Mutch said he appreciated the additional information.

CM 17-11-176 Moved by Wrobel, seconded by Staudt; MOTION CARRIED: 5-2

**To approve the resolution authorizing application from
Production Tool Supply Company LLC dba Berkshire eSupply for a
12-year Facilities Tax Exemption and Agreement concerning
Industrial Facilities Tax Abatement subject to approval by the State
Tax Commission pursuant to Public Act 198.**

Member Breen said she liked this proposal. If they are granting a certificate, she is glad it's going to this project. She wanted to commend them for preserving as much of the wildlife and topography they can. She knows about the difficulty of developing the land. She said her reluctance was regarding the notice to the public and not the project. She said based upon the information she will support this particular project.

Roll call vote on CM 17-11-176

**Yeas: Casey, Wrobel, Gatt, Staudt, Breen
Nays: Markham, Mutch**

6. Approval to award a construction contract and amended budget for the Dixon Road Sanitary Sewer Extension project (Contract Special Assessment District 182) to Bidigare Contractors, Inc., the low bidder, in the amount of \$130,208, subject to final review and approval of form of agreement by the City Manager's Office and the City Attorney.

Member Casey asked the City Manager whether this was the original dollar figure when they approved the SAD and if there will be an impact to residents because the number has changed. City Manager Auger replied the original figures they approved were an estimate. All of the residents understood that the final cost is their responsibility. Member Casey wondered if the residents have been notified. City Manager Auger said yes.

CM 17-11-177 Moved by Casey, seconded by Wrobel; CARRIED UNANIMOUSLY:

To approve the award for a construction contract and amended budget for the Dixon Road Sanitary Sewer Extension project (Contract Special Assessment District 182) to Bidigare Contractors, Inc., the low bidder, in the amount of \$130,208, subject to final review and approval of form of agreement by the City Manager's Office and the City Attorney.

**Roll call vote on CM 17-11-177 Yeas: Markham, Mutch, Wrobel, Gatt, Staudt, Breen, Casey
Nays: None**

7. Approval to purchase a 2017 GapVax MC Series Combination Jet/ Vacuum Machine from MTech using the Oakland County Cooperative Purchasing Contract, in the amount of \$394,481.00.

CM 17-11-178 Moved by Staudt, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the purchase of a 2017 GapVax MC Series Combination Jet/ Vacuum Machine from MTech using the Oakland County Cooperative Purchasing Contract, in the amount of \$394,481.00.

**Roll call vote on CM 17-11-178 Yeas: Mutch, Wrobel, Gatt, Staudt, Breen, Markham
Nays: None**

8. Approval of resolution to authorize Budget Amendment #2018-1.

CM 17-11-179 Moved by Staudt, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the resolution to authorize Budget Amendment #2018-1.

Roll call vote on CM 17-11-179

Yeas: Wrobel, Gatt, Staudt, Breen, Casey,
Markham, Mutch,
Nays: None

AUDIENCE COMMENT: None

MAYOR AND COUNCIL ISSUES: None

CONSENT AGENDA REMOVALS FOR COUNCIL ACTION: Consent Agenda items which have been removed for discussion and/or action.

ADJOURNMENT – There being no further business to come before Council, the meeting was adjourned at 9:35 P. M.

Cortney Hanson, City Clerk

Robert J. Gatt, Mayor

Transcribed by Deborah S. Aubry

Date approved: December 18, 2017