

COUNCIL PROCEEDINGS
CITY OF FLAT ROCK, MICHIGAN
MONDAY, OCTOBER 23, 2006

The special meeting of the Flat Rock City Council convened at the Municipal Building on the above date at 7:30 p.m.

1. PLEDGE OF ALLEGIANCE:

2. PRESENT ON ROLL CALL: Mayor Jones, Council Members Martin, Gagne, Painter and Wrobel.

Absent Council Members: Dropiewski and Tefend.

10-23-06-1 Motion by Painter supported by Wrobel to excuse absent Councilman Dropiewski and Tefend. Motion carried unanimously.

ALSO PRESENT: Building Director John Russ, City Attorney David Grunow, Treasurer Brenda Tallman, Acting City Clerk and Economic Development Director George Mans, and Clerk Receptionist Jevetta Smith.

3. BUSINESS AT HAND:

Item "A" - Discussion Re: Public Hearing for AutoAlliance International, Inc. Applications for Industrial Facilities Exemption Certificates and Extension, File No. 06-4413.

President and CEO, Gary Roe, of AutoAlliance thanked the Mayor and Council for the Public Hearing and re-presented his PowerPoint presentation as shown in the October 16, 2006 Council Meeting. He spoke at the City Council Meeting to a sparse crowd gathered for the Public Hearing for AutoAlliance International, Inc. request for a tax abatement of 50% for the next 12 years on their newly proposed investment of 93 million dollar plant expansion for the redesign of a "bigger, more powerful Mazda 6 that will meet the needs of America" at the Flat Rock facility. The investment will be made over three years; the company will invest \$12 million in 2006, \$42 million in 2007 and \$39 million in 2008. The plant, which began operating in 1987, employs 3,400 hourly and 135 salaried workers. In the year of 2006 180,000 Mustangs and 70,000 Mazdas will be produced in Flat Rock. Mr. Roe announced that AAI had produced their three millionth vehicle this year, a Mustang that was donated to Hurricane Katrina relief.

Mayor Richard Jones asked Mr. Roe how his company allocated cost appreciation and depreciation between its two owners- Ford and Mazda. Mr. Roe replied, "Some of the sharing is a 50/50 share plan and some is shared according to volume.

Mayor Jones asked how the property tax is shared between Ford and Mazda and Mr. Roe deferred the answer to Mazda's Tax Department which replied that the property taxes are shared 50/50 between Ford and Mazda.

Mr. Gagne asked the question as to what would happen if the abatement request was denied and what is the length of the personal property tax rebate. Mr. Roe's response was the request is for twelve years and that the plant expansion is approved and AAI is eagerly awaiting Council's support for the abatement.

Mayor Jones invited the public to speak.

Malin Wagner, Director of Downriver Career Technical Consortium, spoke with praise for AutoAlliance and told of its many contributions to the "Downriver" communities in conjunction with the U.A.W. union. Mr. Wagner urged the council to back the tax break and told how the consortium has benefited from their partnership. Mr. Wagner passed out a fact sheet outlining the vocational program and how by the end of the school year, 175 high school students will have job-shadowed AAI employees and 600 students at Barnes Elementary School will have taken part in the Earthworks Program.

Flat Rock resident and employee of AAI, Kevin Semers of 27106 Hawthorne, ask the City Council to grant AAI's request for the tax abatement. Kevin said he believes it would be good for Flat Rock and AAI.

Another resident and employee of AAI spoke, who did not give his name at the podium, was also in favor of the tax abatement.

Mayor Richard Jones spoke using an overhead projector to present visuals for clarity. Mr. Jones explained that if this abatement is approved it has to be presented in Lansing by October 31, 2006. If the October 31, 2006 date is missed the tax abatement will not start until the following year...2007. Mayor Jones explained AAI's present tax base and the proposed tax base with the 93 million dollar expansion along with the tax base 331,000 deficit if the tax abatement were to pass. He explained that the school taxes go to Gibraltar in approximately 20-25% and the remainder goes to the State of Michigan.

Mayor Jones showed that due to depreciation, the City would not receive as much in taxes from AAI as it would in the current year. However, over the first four years, the city still would get more than \$1 million in revenue than if no investment was made.

In deciding the request, balancing the City budget must be the "most important factor." The City balanced its general fund in 2005-06 only with a one-time transfer of \$500,000 from the Downtown Development Authority. In the current year, the Council adopted a budget with a projected \$331,000 deficit. The red ink would have been closer to \$1.1 million if not for two "one-time only" revenues- the \$400,000 in building permit revenue from AAI and \$400,000 in overpaid sewer charges the City paid to the South Huron Valley Utility Authority.

Mayor Jones stated the abatement would be harmful to the City of Flat Rock's budget. He stated that the abatement would put Flat Rock into an overall

deficit for the year 2007-2008 and 2009. Mayor Jones said he is not in favor of the tax abatement due to the deficit it would bring, but said even if the abatement fails, Flat Rock has financial issues that must be addressed in order to change the deficits.

Mayor Jones said, AAI states that they contribute 37% of Flat Rock tax base. The Mayor explained that this is a declining percentage each year due to property depreciation each year at AAI.

Mayor Jones in closing remarked that in his 20-year reign as Mayor that Flat Rock has always been gracious to AutoAlliance. Mayor Jones said at present AAI is enjoying a 65-70% personal property tax abatement and he feels that Flat Rock has been better to AAI than most of the other "Downriver" communities.

Mr. Gagne asked the Mayor if he was counting on its \$400,000 dollar back payment from Huron Valley and questioned if we would ever see it? Mayor Jones replied that he believed we would get the money back. Mr. Gagne stated if we don't get the \$400,000 payment back that the City of Flat Rock would be hurting.

Mr. Gagne said Flat Rock, Wayne County and the School will not be reimbursed if the tax abatement passes. Mayor Jones said every entity that would be involved or affected by the abatement was notified of this public hearing and were invited to come and voice their concerns.

Mr. Gagne restated his concern that we are operating without a fund balance and that we are heading into a deficit. Mayor Jones said the City of Flat Rock is not broke, but that our surplus fund balance is dwindling.

Mr. Gagne said he could offer AAI a 3-year abatement, but not a 12-year abatement. Mr. Gagne doesn't feel the City of Flat Rock could sustain a 12-year abatement on the 93 million dollar expansion.

Mr. Painter stated that the last 12-year request was cut to 8 years and Mazda is reinventing its product again. Mr. Painter asked if maybe this could happen again with the new product launch.

Mayor Jones said the 12-year request is the max a company can ask for. Mayor Jones said the 50% figure is a fixed amount, but the years are negotiable.

Mayor Jones asked Councilman Ken Wrobel if anyone had ever been denied a tax abatement. Mr. Wrobel replied, "No".

Mayor Jones stated that 78 million dollars of equipment at AAI is no longer under tax abatement.

Mayor Jones said he didn't want to vote today on the tax abatement, frankly because he didn't know how to vote. Mayor Jones said AAI contributes 37% of our tax base, 50% of our water and sewage revenues and that AAI is a very important asset to this community. He restated that in the past the City of Flat Rock has been gracious to AAI and has given them the largest tax

abatements that any company had ever received in the State of Michigan. He said this facility has enjoyed tax abatements greater than even Ford gets in the City of Dearborn, Michigan.

Mr. Gagne asked Mr. Row from AAI if product development is projected longer than a 5-year period. Mr. Gagne requested that a vote on this issue be postponed until October 30th so that it would give all the Council Members time to review the details of this abatement request.

Mr. Painter stated he likes an 8-9 year time frame instead of the 12-year plan. He stated AAI is a good neighbor and that they will be coming back for more product line improvements and abatements.

Mr. Gagne restated he just wants to make an informed and intelligent decision and he wants all the Council Members to have that same opportunity.

Mayor Jones apologized for not getting the Council this information sooner.

Mr. Roe pointed out that due to the big changes in the auto world that several communities have lost big revenues.

Mr. Wrobel stated how at one time the City of Flat Rock gave a 100% tax abatement in 1985 to Ford, the largest ever in the country to try and sustain area jobs. Then he told how it left a bad taste to many residents and how Ford became a bad neighbor to go with it. Mr. Wrobel stated that he felt the City of Flat Rock had already given their fair share.

Mr. Painter asked what is the chance for an October 30, 2006 meeting that all the Council Members would be present.

Mr. Martin asked if the building permit issue with AAI had been resolved, which the Mayor answered nothing had been resolved, but that he assumes it will be straightened out. Mr. Roe said a revised program is being implemented with their contractors to alleviate this problem.

10-23-06-2 Motion by Gagne supported by Jones to come back on October 30th, 2006 at 7 PM to discuss AutoAlliance Tax Abatement proposal. Motion carried unanimously.

5. ADJOURNMENT:

10-23-06-3 Motion by Martin supported by Jones to adjourn meeting at 8:30 P.M. Motion carried unanimously.

RICHARD C. JONES, MAYOR

DENNIS R. MOWBRAY, CITY CLERK
By George W. Mans, Acting Clerk

Date: _____
Approved