



Bloomfield Township

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David Buckley, Trustee • Neal J. Barnett, Trustee • Brian E. Kepes, Trustee • Corinne Khederian, Trustee

November 7, 2012

The Honorable Rick Snyder
Governor of Michigan
P.O. Box 30013
Lansing, Michigan 48909

Re: Special Assessment Districts

Dear Governor Snyder:

The purpose of this letter is to discuss how special assessments (in particular, road assessments) are handled. The current process places a certain restriction on homeowners. As a result, they do not move ahead to fund critical road improvements, causing our local infrastructure to continue to deteriorate. I am writing to recommend a remedy for this situation that will be fairer to homeowners and will facilitate the improvement of our local roads.

Currently special assessments are placed as a lien on a property. This becomes problematic for individuals who are attempting to either sell or refinance their homes because the lien must be paid off at the time of closing. For example, if the road improvement requires a 15-year Special Assessment and the homeowner anticipates selling or refinancing his home within five years, he is still liable for the full 15-year dollar amount.

The secondary markets (Fannie Mae, Freddie Mac, FHA, etc.) will take a subservient position to property taxes and view taxes as a future obligation to pay. However, because of the obligation to pay off the lien at the time of closing, they will not take a subordinate position to special assessments; they become responsible for paying off the lien at the time of closing. This circumstance should not exist. In reality the special assessment is no different than a tax – a future obligation to pay – and should be treated as such.

The situation in Bloomfield Township is typical of the problem that exists throughout the state. Bloomfield Township has 176 miles of asphalt or paved subdivision roads. They already have reached, or will soon reach, the end of their useful life. I have a report on my desk indicating the estimated cost to replace them is approximately 200 million dollars. We have had numerous meetings over the last 12 months with neighborhood associations who want to replace their roads. The biggest obstacle is people who are planning to sell their homes in the near future and do not want a special assessment imposed that would require them to pay the entire cost of the improvements.

However, if legislation were enacted to allow the special assessment to be placed on the tax bill as a tax, once the special assessment district has been ratified-homeowners would be allowed to sell or refinance their homes without coming up with a large lump sum payment. This would be the fairest way to handle the payments of the improvements. The person who owns the property will pay for the improvements for as long as he owns the property. Based on my meetings with neighborhood associations I believe we could speed up the necessary infrastructure replacement exponentially, make the payment for them more equitable, and end up with better roads throughout our community.

Prior to becoming the Bloomfield Township Supervisor last year I spent over 30 years in numerous ancillary real estate industries, including owning a number of different title insurance companies and purchasing large portfolios of troubled bank assets nationwide. The legislation should be relatively easy to draft and would benefit all of the communities in the state that are facing the same problems as Bloomfield Township – replacing an aging infrastructure.

I would appreciate meeting with someone in your administration to discuss this.

Sincerely,



Leo Savoie, Supervisor
Bloomfield Township

Cc:

Michael McCreedy – State Representative Elect
Senator John Pappageorge
William Anderson – MTA Legislative Liaison
Bill Martin – Michigan Association of Realtors
Shelly Taub – Oakland County Commissioner
Marcia Gershenson - Oakland County Commissioner
Eric S. Wilson – Chairman, Oakland County Road Commission
Gregory C. Jamian – Vice Chairman, Oakland County Road Commission
Ron Fowkes, Commissioner, Oakland County Road Commission
Dennis Kolar, Managing Director, Oakland County Road Commission
Gary Piotrowicz, Deputy Managing Director, Oakland County Road Commission

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OF THE TOWNSHIP BOARD OF THE TOWNSHIP OF BLOOMFIELD

August 14, 2012

Via Email

Leo C. Savoie, Supervisor
Charter Township of Bloomfield
P.O. Box 489
Bloomfield Hills, MI 48303-0489

Re: *Special Assessment Payments*

Dear Leo:

Per your request, I have researched the issue of how the Township might attempt to address the issue of banks, financial institutions, and the secondary market requiring that special assessments assessed against properties must be paid off in full at the time properties are conveyed to new owners and/or refinanced. It is my opinion that the two most viable ways of trying to address the aforementioned issue would be for the Township to adopt a one section special assessment ordinance providing that special assessment payments shall be treated in and paid and collected in the same manner as property taxes in Bloomfield Township, or in the alternative, the Township could request that the Michigan Legislature adopt an amendment to Section 41.727(1) of the Michigan Public Improvement Act, Act 188 of 1954, to allow the Township Board to provide that special assessment payments shall be treated in and may be paid and collected in the same manner as property taxes are.

If the Township were to adopt a one section ordinance addressing special assessment payments, it would be my recommendation that the new chapter of the Bloomfield Township Code of Ordinances be designated Chapter 31, Special Assessments, and consist of only one section that being Section 31-1, Special Assessments, to read as follows:

For special assessment districts created in the Township and special assessments levied for said districts in the Township, the Township Board may provide, that subject to the provisions of State Law, the special assessment payments shall be treated in and may be payable and collected in the same manner as property taxes in the Township.

In the event that Bloomfield Township is not inclined to adopt a separate amendment to the Township Code of Ordinances, another approach would be for the Township to request the Michigan Legislature to amend Section 41-727(1) of the Michigan Public Improvement Act, Act 1988 of 1954, to read as follows (proposed amendment language underlined):

41.727 Payment of special assessments in installments; amount of installment; extension; due dates; interest on unpaid installments; payment of future due installments; delinquent installment; penalty.

Sec. 7. (1) The Township board may provide that special assessments are payable in 1 or more installments, but the amount of an installment shall not be less than $\frac{1}{2}$ of any subsequent installment. The Township Board may provide that special assessment payments shall be treated in and may be payable and collected in the same manner as property taxes in the Township. The amount of each installment, if more than 1, need not be extended upon the special assessment roll until after confirmation of that assessment roll. Subject to the provisions of section 4(4), the amount of installments for improvements subject to periodic cost revision may be extended upon the special assessment roll by the township board without additional public hearings or public notice, provided that additional property is not added to the special assessment roll.

(2) The first installment of a special assessment shall be due on or before the time after confirmation as the township board shall fix. Subsequent installments shall be due at intervals of 12 months from the due date of the first installment or from a date the township board shall fix.

(3) All unpaid installments, prior to their transfer to the township tax roll as provided by this act, shall bear interest, payable annually on each installment due date, at a rate to be set by the township board, not exceeding 1% above the average rate of interest borne by special assessment bonds issued by the township in anticipation of all or part of the unpaid installments; or not exceeding 1% above the average rate of interest borne by bonds issued by a county, drainage district, or authority if the unpaid installments are to be applied to the payment of a contract obligation of the township to the county or authority or to the payment of an assessment obligation of the township to the drainage district; or, if bonds are not issued by the township, a county, a drainage district, or an authority, not exceeding 8% per annum, commencing in each case from a date fixed by the township board. Future due installments of an assessment against

Leo Savoie, Supervisor
August 14, 2012
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any parcel of land may be paid to the township treasurer at anytime in full, with interest accrued through the month in which the final installment is paid.

(4) If an installment of a special assessment is not paid when due, then the installment shall be considered to be delinquent and there shall be collected, in addition to interest as provided by this section, a penalty at the rate of not more than 1% for each month, or fraction of a month, that the installment remains unpaid before being reported to the township board for reassessment upon the township tax roll.

While there is no guarantee that banks, financial institutions, and/or the secondary market will necessarily agree to allow property owners whose properties are subject to special assessments to not have to pay off the special assessments in full upon a refinancing and/or transfer and/or conveyance of the properties to new owner, having legal authority, whether in the form of an amendment to the Bloomfield Township Code of Ordinances and/or Public Act 188 of 1954, might address and help facilitate a resolution of that existing issue. With respect to timing, certainly an amendment to the Bloomfield Township Code of Ordinances could be accomplished and adopted in a much shorter period of time then attempting to convince the Michigan legislature to amend Public Act 188 as provided herein.

Thank you very much for your cooperation and courtesy. Should you have any questions and/or need any additional clarification with respect to anything contained herein, please do not hesitate to contact me.

Very truly yours,



Derk W. Beckerleg

DWB:jec
cc: William P. Hampton

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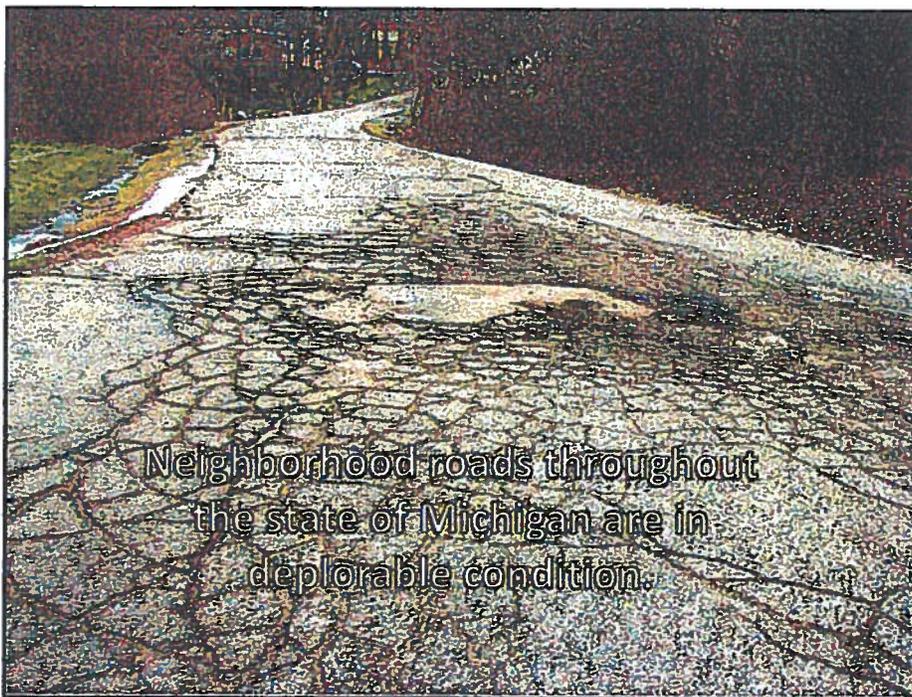
A Funding Alternative for Better Neighborhood Roads

Monday, February 11, 3:00 PM

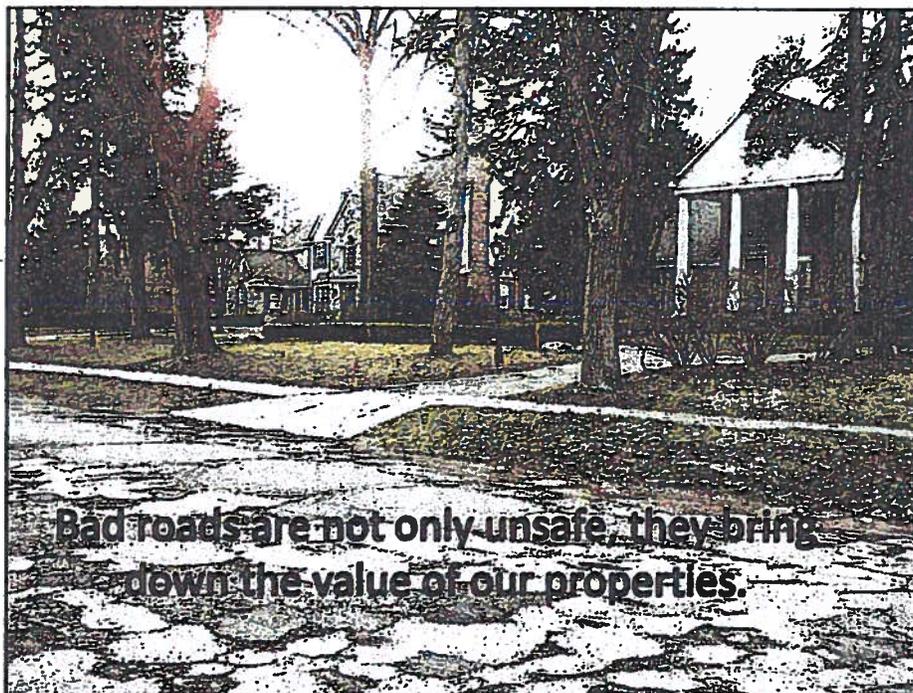
A proposal for consideration by the
Michigan Department of Transportation

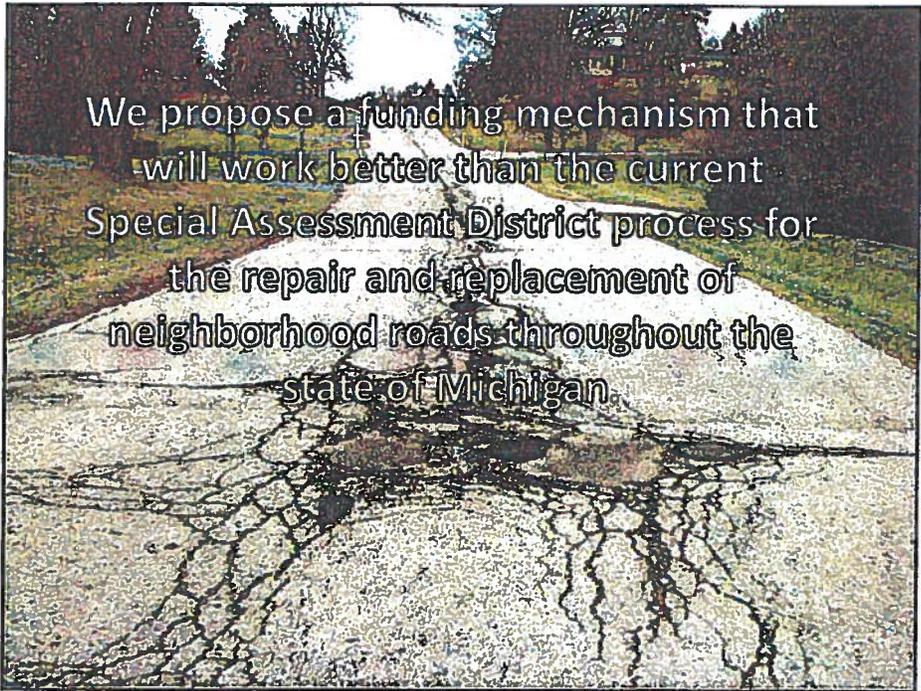


Presented by Leo Savoie, Bloomfield Township Supervisor



Neighborhood roads throughout
the state of Michigan are in
deplorable condition.





Bad roads affect every Michigan resident and every Michigan municipality.

The cost of fixing them is formidable.

In Bloomfield Township alone, it will cost \$200 million to bring neighborhood roads up to an acceptable standard.

Throughout the state of Michigan, the cost will be billions of dollars.

Currently, repairing or replacing neighborhood roads requires homeowners, by state law, to establish a Special Assessment District (SAD).

The SAD becomes a lien on each participating property.

The single biggest obstacle to neighborhood road improvement is the opposition from homeowners.

This is because the SAD process saddles many homeowners with the full liability of construction costs but does not reward them with the value of the road improvement.

Secondary markets (e.g., Fannie Mae, Freddie Mac, FHA) will take a subservient position to property taxes because they view taxes as a future obligation to pay.

However, these markets require a special assessment to be paid in full when the property is sold or refinanced.

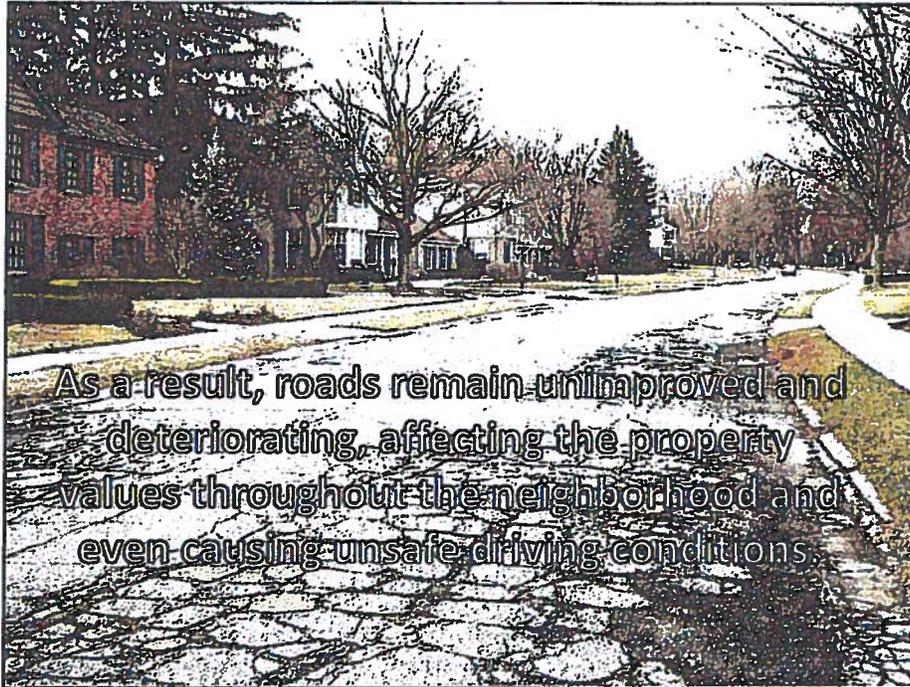
If an individual property owner wants to sell or refinance his property, he is liable for the full assessment and must pay the total amount at closing.

He assumes the full liability but does not receive the full benefit of the road improvement.

11

Many homeowners oppose the SAD because they do not want to bear the entire cost of the improvement.

12



Special assessments should shift from a lien status to a tax status.

State law must change to enable special assessments to be treated the same as property taxes.

Our attorneys have studied the matter and determined that while municipalities can amend their local ordinances to address this need, the most effective change will be at the state level.

15

Legislation must be written and passed that enables a local municipality to allow residents within an SAD to place the assessment on their roll as a tax.

The assessment and the improvement should be tied to the property, not to the property owner.

16

The special assessment should be considered a *future* obligation to pay, just as taxes are.

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This can be done within the current SAD process, based on the wording of the petition that is approved by voters in that district.

18

The law must be retroactive to treat existing SADs provided they emanated by petition.

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Communities should have the ability to opt into the plan.

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The new funding mechanism would create equality in taxation since the property owners within the district vote on the amount to be assessed.

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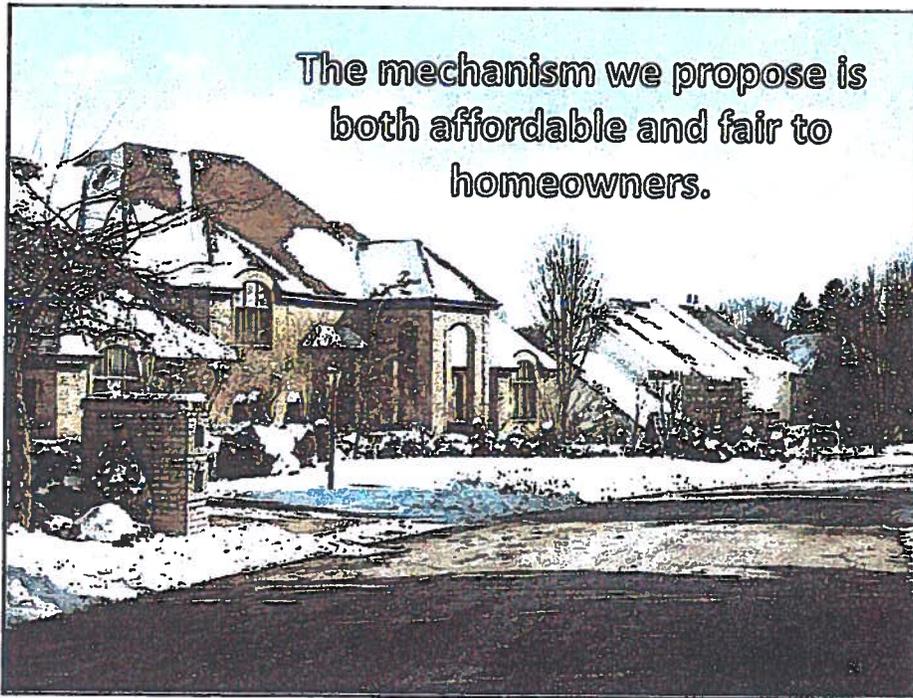
Once this legislation is passed, road improvement projects will spring up all over the state, fulfilling one of Governor Snyder's stated priorities.

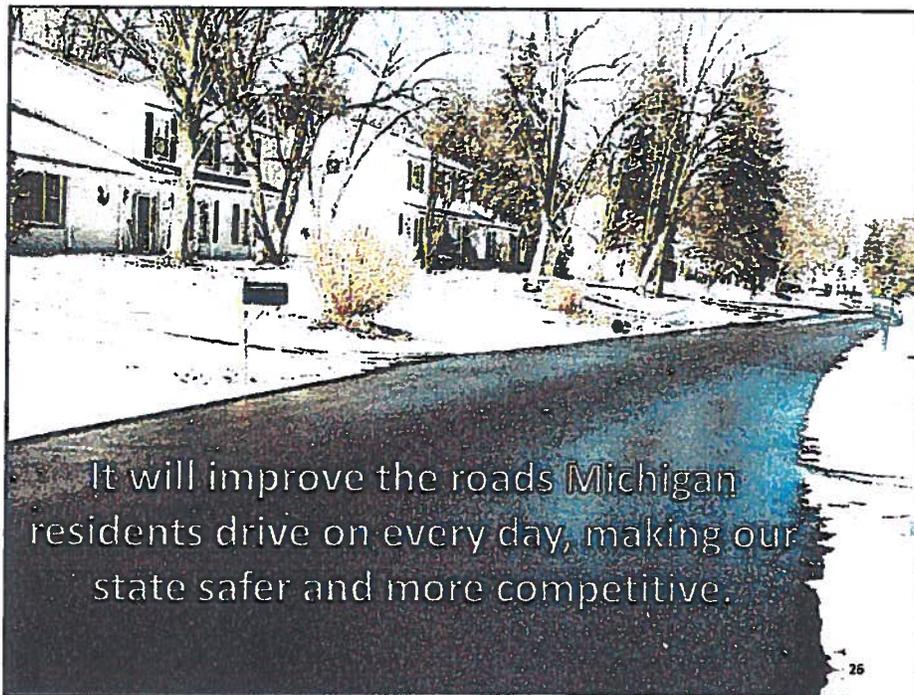
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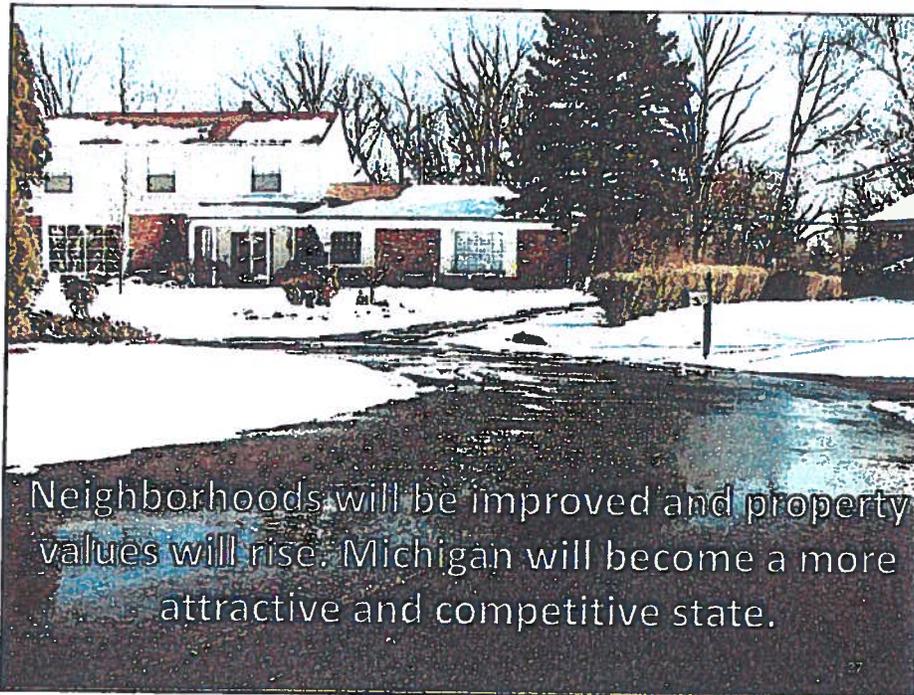
**As neighborhood residents approve
road improvements, billions
of dollars will be pumped into
Michigan's economy.**

Thousands of jobs will be created.

25







**We know this is a complex challenge.
There are issues that will make the
process difficult.**

**However, we *must* find a way to
make it happen.**

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