



TO: MAYOR AND MEMBERS OF CITY COUNCIL
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DATE: April 10, 2007
SUBJECT: 2007 FIRST QUARTER LITIGATION REPORT

The following is the quarterly report of pending litigation and other matters of interest. **The accomplishments during the FIRST quarter of 2007 are in bold.**

A. ANATOMY OF THE CASE

Once a lawsuit has been filed against the City or City employees, the City Attorney's office prepares a memo regarding the allegations in the complaint. At that time, our office requests authority from Council to represent the City and/or the employees. Our office then engages in the discovery process, which generally lasts for several months, and involves interrogatories, requests for documents, and depositions. After discovery, almost all cases are required to go through case evaluation (also called mediation). In this process, three attorneys evaluate the potential damages, and render an award. This award can be accepted by both parties, and will conclude the case. However, if either party rejects a case evaluation award, there are potential sanctions if the trial result is not as favorable as the mediation award. In many cases, a motion for summary disposition will be filed at the conclusion of discovery. In all motions for summary disposition, the Plaintiff's version of the facts are accepted as true, and if the Plaintiff still has failed to set forth a viable claim against the City, then dismissal will be granted. It generally takes at least a year before a case will be presented to a jury. It also takes approximately two years before a case will be finalized in the Michigan Court of Appeals and/or the Michigan Supreme Court.

B. ZONING CASES

These are cases where the property owner has sued for a use other than that for which the land is currently zoned and/or the City is suing a property owner to require compliance with the existing zoning provisions.

2. Troy v. Papadelis and Papadelis v. Troy - This is a case filed by the City against Telly's Nursery, seeking to enjoin the business from using the northern parcel for commercial purposes. After a lengthy appellate history, an order was entered in the Oakland County Circuit Court, requiring compliance on or before April 29, 2002. The Papadelis family failed to comply with the court's order, and therefore a Contempt Motion was filed. Oakland County Circuit Court Judge Colleen O'Brien determined that the defendants were in contempt of court, and required them to pay \$1,000 to the City of Troy. However, the court also determined that the defendants

were in compliance with the City of Troy zoning ordinances as of the date of the court decision. The Troy City Council authorized an appeal of this decision to the Michigan Court of Appeals. It was filed on September 27, 2002. The neighbors filed an application for leave to appeal, which was denied by the Michigan Court of Appeals on 2/10/03. After receiving criminal citations from the City for expansion of the business, Papadelis filed a federal lawsuit against the City of Troy, alleging civil rights violations and seeking an injunction against the prosecution and/or further expansion. The neighboring property owners filed a Motion to Intervene, which was granted by Federal US District Court Judge Arthur Tarnow. Troy filed a counterclaim in the Federal Court case but it was dismissed by Judge Tarnow, who refused to exercise jurisdiction over the counter-complaint, since it would require him to interpret the opinion of the Oakland County Circuit Court Judge. Troy has subsequently filed two separate motions to dismiss the Papadelis complaint. One of the motions asserted the same jurisdictional claim that was raised against the counter-complaint. The Court granted Troy's motion based on jurisdictional issues and dismissed the case without prejudice. The court did not rule on the other motion, but instead, directed the Papadelises to re-file their case in state court. The Papadelis family then re-filed its lawsuit in Oakland County Circuit Court. Troy filed an answer and a counterclaim. Troy also immediately filed a motion for summary disposition seeking dismissal of the complaint and a judgment in favor of Troy. The counterclaim seeks an order requiring the Papadelis family to remove two greenhouses and other structures that have been built upon the property without approvals that are required under the zoning ordinance. The Court scheduled an early intervention conference (settlement conference) for October 18, 2005. The Court has set the hearing date for the Motion for Summary Disposition for January 4, 2006. Subsequent to the filing of Troy's Motion for Summary Disposition, Plaintiffs' filed a Cross Motion for Summary Disposition, and the hearing was rescheduled for January 18, 2006. On February 17, 2006, the Court entered its written Opinion and Order, dismissing the Papadelis claim for money damages and their claim for injunctive relief. However, the Court also granted Summary Disposition in favor of the Plaintiffs on their claim for declaratory relief, and held that "retail" activity was not occurring on the northern parcel, and that the "agricultural" activities on the northern parcel were protected under the Right to Farm Act. Additionally the Court ruled the Plaintiffs' were exempt from City permitting requirements under the agricultural building permit exemption of the State Construction Code Act. The Court also dismissed the City's counterclaim. Troy has filed an appeal with the Michigan Court of Appeals. Plaintiffs' have filed a cross appeal challenging the dismissal of their claims for money damages and injunctive relief. All the required briefs have been filed with the Court of Appeals, which will either schedule an oral argument or will inform the parties that the case will be decided without oral argument. Since this case was assigned to the expedited track for summary disposition appeals, a final decision on appeal is expected before the end of September of this year.

On June 16, 2006, the Building Department discovered that the Papadelis family was erecting a new, large pole barn structure on the property at 3301 John R. Road. This structure was likely in violation of local and/or state law. The Building Department followed the procedure for issuing a Stop Work Order. In addition, our office filed an emergency motion with the Court of Appeals, seeking to enjoin construction of the building pending final outcome of the appeal. On June 21, 2006, the Court of Appeals granted the motion for immediate consideration, but denied the motion to enjoin construction of the building. The denial of the motion has no bearing on the final outcome of this appeal, and if Troy ultimately prevails on appeal, the new building will have to be removed. Despite the issuance of the Stop Work Order, the construction continued on the new building. The Papadelis Family then filed a Motion to hold the City Attorney and the Director of Building and Zoning in contempt of court. In this Motion, the Papadelis family argued that the Circuit Court ruling (Judge Colleen O'Brien) allows the construction of the new building without a permit and without having to comply with the zoning ordinance provisions regulating the size and location of buildings. Judge O'Brien denied this Motion on June 28, 2006, and ruled that her earlier ruling (the ruling on appeal) was limited to the buildings on the property at the time of the ruling, and did not extend to allow for new construction on the site. On September 19, 2006, the Court of Appeals affirmed the decisions of the Circuit Court. Thus, the Court affirmed the declaratory judgment in favor of the plaintiffs, but it also affirmed the dismissal of plaintiff's civil rights claims against the City, Mark Stimac, and Marlene Struckman. Troy has filed an Application for Leave to Appeal with the Michigan Supreme Court. The Michigan Municipal League is also filing an amicus brief in support of the City's Application for Leave to Appeal. The Papadelis family filed a Cross Application for Leave to Appeal. If the Supreme Court denies both the Application for Leave to Appeal and the Cross Application for Leave to Appeal, the Court of Appeals decision becomes the final decision in this case. The Supreme Court may grant both the Application and Cross Application for Leave to Appeal, or it may grant one and deny the other, or it may grant either Application in part and limit the issues that it will review. **The Michigan Municipal League (MML) has prepared an Amicus Brief in support of the municipal position, and the Papadelis family has opposed the MML's Motion for Leave To File the Amicus Brief. The parties are now waiting for the Michigan Supreme Court to take action.**

2. Karagiannakis and Garrett Family Ltd.Partnership v. City of Troy, et. al. –The lawsuit was filed, seeking a Declaratory Judgment that a 43-foot easement is a “public” roadway easement under the control of the City of Troy. Garrett Family Ltd. Partnership has an option to purchase an outlot that is currently owned by Mr. and Mrs. Karagiannakis. The property would be a part of a proposed site condominium project. However, Troy's Zoning Ordinance requires that there be public street access for all new residential development. Therefore, this lawsuit was filed to convert the 43- foot wide driveway into a

“public roadway.” Our office filed an immediate Motion for Summary Disposition, arguing that there is no authority for the Court to grant the requested relief, since the Land Division Act requires a re-plat action to accomplish what the Plaintiffs propose. In a re-plat action, the Plaintiffs would file the case against all property owners within 300 feet, as well as the utilities and the units of government. Plaintiffs filed their Brief in Response to our Motion for Summary Disposition, and also filed a First Amended Complaint, adding two new claims against the Defendants. In the first additional claim, Plaintiffs allege that the Court should order the City to allow the Plaintiffs to construct a private driveway from their property to the nearest public road. In the second additional count, Plaintiffs argue that the City has violated Plaintiffs’ due process rights. This alleged due process violation stems from the City’s failure to allow the use of an easement for roadway purposes for a public or private driveway for their development. The City filed a new Motion for Summary Disposition requesting dismissal of all claims, including the additional claims. Oral arguments on this new Motion were scheduled for February 14, 2007. **Prior to the oral arguments, the Plaintiffs voluntarily dismissed the lawsuit without prejudice, and will now pursue a plat revision lawsuit in the Oakland County Circuit Court. This new lawsuit would necessarily be served on the neighboring property owners, as well as the utilities and governing entities.**

3. Milano Development Company, Inc. v. City of Troy, et. al. – This lawsuit was filed on December 11, 2006. It seeks to amend part of a plat to vacate an easement reserved on the original plat of the Square Acres Subdivision Plat, located in Section 14. The Plaintiff is proposing to develop a 13-unit site condominium project on Lot 17. The City has already granted preliminary site plan approval of the proposed Athens Park Site Condominium Project. However, the development cannot be completed in accordance with the approved site plan unless the private roadway easement is vacated. **The City has filed an answer and discovery is continuing.**

C. EMINENT DOMAIN CASES

These are cases in which the City wishes to acquire property for a public improvement and the property owner wishes to contest either the necessity or the compensation offered. In cases where only the compensation is challenged, the City obtains possession of the property almost immediately, which allows for major projects to be completed.

1. Parkland Acquisition (Section 36)

1. Troy v. Premium Construction, L.L.C. – The City has filed this lawsuit against Premium Construction, L.L.C. (John Pavone and Mukesh Mangala) to acquire property for a park in Section 36. After a prolonged discovery process, a

bench trial began on February 22, 2005. The Court had to interrupt the bench trial proceedings with a number of other matters, including criminal jury trials, and had the parties on stand by and/or took limited testimony for several months. The last testimony in the lengthy bench trial was taken on June 10, 2005. After the testimony, the Judge required the parties to submit post-trial "Finding of Facts and Conclusion of Law" and a summary Memorandum, which were timely submitted by July 13, 2005. Replies to those briefs were due July 20, 2005. The parties are now anxiously waiting for the Judge's decision. It is unknown when the decision will be rendered. After several months, Oakland County Circuit Court Judge Mark Goldsmith requested portions of the transcript of the lengthy trial proceedings. Unfortunately, this request has been unexpectedly delayed, since the transcribing court reporter broke his wrist, and is unable to complete the work himself and/or have others complete it for him. The parties continue to wait for the Court's decision. The Court issued his written opinion on February 3, 2006. The Defendants filed a Motion for Attorney Fees, and a hearing on that request was scheduled for April 5, 2006. The Court issued a written order on June 9, 2006 determining the amount of attorney fees. An appeal of the Court's decisions was filed with the Michigan Court of Appeals on June 30, 2006. The Michigan Court of Appeals subsequently ordered mandatory facilitation, which is continuing. The trial transcript was completed and filed with the Court of Appeals. **The City's appellate brief is due on March 30, 2007.**

D. CIVIL RIGHTS CASES

These are cases that are generally filed in the federal courts, under 42 U.S.C. Section 1983. In these cases, the Plaintiffs argue that the City and/or police officers of the City of Troy somehow violated their civil rights.

1. Hooters v. Troy- Hooters filed this lawsuit against the City in Federal District Court after its state court case was dismissed, and after the Michigan Court of Appeals denied Plaintiff's motion for preemptory reversal. Hooters alleges that in denying its request to transfer a Class C Liquor License, Troy City Council violated its constitutional freedom of speech, equal protection, and due process rights. City Council's action, according to the federal complaint, has caused Hooters to delay the opening of its new restaurant at Rochester and Big Beaver, and to lose significant profits. Consequently, Hooters has requested damages in excess of a million dollars. On November 22, 2006 we filed a motion for summary judgment asking District Court Judge Julian A. Cook to dismiss the case. **On February 28, 2007, Judge Cook heard our motion, and abstained on the case, which now stays all proceedings on the federal case until there is a final resolution in the state court lawsuit.**
2. Gerald Molnar v. Janice Pokley, the City of Troy et al.- Plaintiff filed this lawsuit against the City and Troy Detective Janice Pokley, after a jury found him not guilty of the charge of Criminal Sexual Conduct in

the Second Degree. Plaintiff alleges that the City and Detective Pokley violated his constitutional rights to be from an unreasonable seizure, due process, and equal protection. These constitutional violations allegedly occurred during the criminal sexual conduct investigation of Plaintiff. Plaintiff also claims that the Troy defendants conspired with other named defendants to violate his constitutional rights, and intentionally inflicted emotional distress on Plaintiff. Plaintiff is requesting an unspecified amount of compensatory, exemplar, and punitive damages. On February 27, 2007, Troy filed a motion to dismiss, or in the alternative summary judgment. District Court Judge Gerald E. Rosen will set the hearing date on this motion.

E. PERSONAL INJURY AND DAMAGE CASES

These are cases in which the Plaintiff claims that the City or City employees were negligent in some manner that caused injuries and/or property damage. The City enjoys governmental immunity from ordinary negligence, unless the case falls within one of four exceptions to governmental immunity: a) defective highway exception, which includes sidewalks and road way claims; b) public building exception, which imposes liability only when injuries are caused by a defect in a public building; c) motor vehicle exception, which imposes liability when an employee is negligent when operating their vehicle; d) proprietary exception, where liability is imposed when an activity is conducted primarily to create a profit, and the activity somehow causes injury or damage to another; e) trespass nuisance exception, which imposes liability for the flooding cases.

- 1. Norma Robertson v. City of Troy- Plaintiff has filed this lawsuit, claiming that the City is liable for injuries she sustained after falling on a sidewalk in front of 392 Hickory. The complaint alleges that the city is liable under the defective highway exception. According to the complaint, on January 10, 2006, Plaintiff was walking on the sidewalk when she tripped over a raised portion of concrete. This raised portion, she alleges, caused severe injuries, including a broken right arm. **We filed our answer to the complaint and are exchanging discovery with the Plaintiff.****
- 2. Mary Ann Hennig v. City of Troy- Plaintiff has filed this lawsuit, claiming that the City is liable for injuries she sustained after her vehicle was struck by a Troy Police Officer as he was pursuing a suspected drug dealer. Her complaint alleges serious impairment of a bodily function, in that she has neurological damages. The City has filed an answer to the complaint, and the parties are now conducting discovery.**

F. MISCELLANEOUS CASES

1. In Re Hooters of Troy Inc. – Hooters has filed this lawsuit to challenge the June 19, 2006 City Council denial of their application to transfer a liquor license and entertainment permit. Hooters was seeking to re-locate their business from John R to Rochester Road, to the building that was previously occupied by the Wagon Wheel Saloon. Hooters has signed agreements with the former owners (Sign of the Beef Carver- Wagon Wheel), for the building and also the liquor license with entertainment permit. Pursuant to state law, local legislative approval is required for a transfer of Class C Liquor License and entertainment permit. In their complaint, Hooter's alleges that the City Council denial of the transfer of the liquor license violates their equal protection rights and due process rights. They are asking the Court for an order of superintending control, which means they are asking a Circuit Court Judge to overrule City Council's decision. Hooters is also asking for costs, attorney fees, and incidental damages as a result of the delay in moving its operation to Rochester Road. Shortly after filing their complaint, Hooter's filed a motion requesting a superintending control order. On July 26, 2006 Oakland County Circuit Court Judge John McDonald, after hearing argument, denied Hooter's motion and dismissed their case. Judge McDonald in making his ruling, stated that municipalities are afforded broad discretion in review applications for new or transferred liquor licenses, and that Troy City Council exercised this discretion properly in denying Hooter's request for to transfer a Class C Liquor License and new entertainment permit. On August 4, 2006, Hooters filed a claim of appeal with the Michigan Court of Appeals. They also filed a motion for immediate consideration and motion for peremptory reversal arguing that Judge McDonald's decision was so blatantly wrong that immediate reversal is warranted. On August 16, 2006, the Court of Appeals granted Hooter's motion for immediate consideration but denied their motion for peremptory reversal. Hooter's appeal is still pending, and all the required briefs have been filed with the Court of Appeals. The Court of Appeals has not yet set the date for oral argument.
2. Troy v. George Roberts – This nuisance abatement action was filed after the City received multiple complaints from neighbors about the unsafe and unsanitary conditions existing at Defendant's residence, located at 6791 Livernois Rd., in the City of Troy. According to reports from his neighbors, Defendant accumulated a large amount of trash, papers and debris inside his residence. There also was a concern that the residence did not have working plumbing. These reports were confirmed by subsequent inspections by Troy Building Inspectors, who observed multiple ordinance violations at Defendant's home. On November 17th, our office filed a lawsuit and a motion for a preliminary injunction with the Oakland County Circuit Court. Judge Mark A. Goldsmith entered an order on November 29, 2006, precluding Defendant from occupying the home until the first floor of the property was brought in compliance with the City's Property Maintenance Code. The order allows Defendant to clean his residence in phases, but requires completion of the

entire project by January 10, 2007. Defendant substantially complied with the Court's order, and cleaned most of his property. However, since there were still violations, some of which were impacted by the winter weather, the Court ordered another inspection for March 7th. After this inspection, Troy's Building Inspectors reported that all violations were corrected. We then prepared a proposed consent judgment to finalize the case. Under the terms of the consent judgment, the City would continue to monitor Defendant's property by conducting inspections every quarter for a period of one year. On March 14, 2007, Mr. Roberts agreed to the terms of the proposed consent judgment. The Consent Judgment was approved by Troy City Council at the April 2, 2007 City Council meeting.

3. Nardi v Troy, et al. - Plaintiff Leroy S. Nardi named the City of Troy, the County of Oakland, and the State of Michigan as Defendants in this lawsuit filed in the United States District Court for the Eastern District of Michigan. The Plaintiff owns a parcel of land located at 97 East Wattles. On April 26, 2001, he received a letter from the Building Department, advising him that public sanitary sewer would soon be available to service his property, since there was a new subdivision that abutted his property. The letter informed Mr. Nardi of Chapter 20, which at that time required connection to the newly available public sewer within 18 months. This mandatory connection included a \$200.00 Interceptor Connection fee (tap fee) and a \$3,400.00 Lateral Benefit Charge. These costs could be financed over a 40- year period of time, through a Sewer Contract with the City. In November 2001, Plaintiff's septic system on the property was showing signs of failure, and the Oakland County Health Department was investigating the matter. On November 21, 2001, the Plaintiff signed a Sewer Contract with the City, where he agreed to pay the sewer connection fees for the hook up in quarterly installments of \$57.00 each. Pursuant to the contract, unpaid installments are collected in the same manner as taxes, which means that all delinquent payments are forwarded to Oakland County for collection and/or foreclosure proceedings. As a result of Plaintiff's failure to pay the quarterly installments, Oakland County initiated foreclosure proceedings for the property.

In the lawsuit, Plaintiff seeks an injunction to stop the foreclosure proceeding, as well as reimbursement for all sewer fees previously paid, and punitive damages in the amount of \$500,000.00. Plaintiff filed the complaint without the assistance of an attorney, and his basis for relief is not exactly clear. He contends all defendants have violated his rights under the 5th, 7th, and 14th Amendments of the United States Constitution and he alleges fraud, extortion, a violation of Article VI, Section 2 of the Constitution, and a taking of property without due process of law. Essentially, he claims the Sewer Contract is not valid because he signed it under duress. He did make a note on the contract

when signing that said that he was signing it under duress. However, without such a contract, the entire collection fee would have been immediately due, rather than financing the payments over a 40 year period. Plaintiff also challenges the City's ability to collect a Benefit Charge, because a private developer constructed the portion of the sanitary sewer system to which his property is connected. The Benefit Charge is designed to reimburse the City for the proportional cost of operating the entire system. The City has filed a Motion to Dismiss, which is scheduled for April 23, 2007.

G. CRIMINAL APPEALS

People v Aileen Grace Potter – Ms. Potter was charged with operating a motor vehicle while intoxicated. Her attorney filed a Motion to Dismiss the complaint, arguing that the Defendant was not “operating” a motor vehicle pursuant to the statute. Visiting Judge Levy granted the Defendant's Motion. The City filed a Claim of Appeal with the Oakland County Circuit Court. **On February 15, 2007, the Oakland County Circuit Court affirmed the trial court's dismissal.**

On March 8, 2007 the City filed an Application for Leave to Appeal with the Michigan Court of Appeals. This case involves the application of the fairly recent amendments to the drunk driving statute, which allow for an arrest when an officer has probable cause to believe a defendant drove a vehicle while drunk. Previously, police officers were required to actually observe a defendant drive, unless there was an accident. The Application is pending in the Court of Appeals.

If you have any questions concerning these cases, please let us know.