



Rochester Hills

Minutes

Local Development Finance Authority

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Brandy Boyd, Michael Damone, Michael Ellis, Lois Golden, Darlene Janulis, Michael Kaszubski, Daniel Romzek, Stephan Slavik, John Stoner, Charles Thomas

Thursday, October 9, 2014

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Stephan Slavik called the Regular Meeting to order at 7:30 a.m. in Conference Room 221.

ROLL CALL

Present 7 - Michael Kaszubski, Michael Damone, Michael Ellis, Stephan Slavik, Darlene Janulis, Daniel Romzek and John Stoner

Absent 3 - Lois Golden, Brandy Boyd and Charles Thomas

Quorum present.

Also present: Pamela Valentik, Manager of Economic Dev.
Kurt Dawson, Director of Assessing/Treasury
Paul Davis, Deputy Director of DPS/Engineering
Bill Bullard, Strategic Communication Solutions
Maureen Gentry, Recording Secretary

APPROVAL OF MINUTES

[2014-0430](#) July 10, 2014 Regular Meeting

This Matter was Approved as Presented. The motion carried the following vote:

Aye 7 - Kaszubski, Damone, Ellis, Slavik, Janulis, Romzek and Stoner

Absent 3 - Golden, Boyd and Thomas

COMMUNICATIONS

- A) Handout from Mr. Bullard re: Personal Property Tax Legislation
- B) Press release dated 9/25/14 re: RH in Top Ten Best Places to Live

Ms. Valentik said that since the LDFA had last met, a vote was held in August 2014 to determine whether elimination of the Personal Property Tax (PPT) would be pursued. The vote passed, and the State was in the process of eliminating PPT, but she noted that it was an element of the

City's revenues within the LDFA budget.

Mr. Dawson added that \$80k accounts would be exempted, which would not impact the LDFA, and qualified industrial manufacturing property would be abated. The abatement they would discuss would be for the future, when qualified industrial manufacturing property would start to be phased out, and the City would file for reimbursement for that at 100%.

ONGOING BUSINESS

2014-0429

Road Updates - Paul Davis, Deputy Director, DPS/Engineering

Mr. Davis commented that it had been a really busy year for his department. There was a large, concrete road subdivision program going on. The asphalt program typically went much faster because of the nature of the construction. The concrete program started sooner, but it was on-going in sections five, six and seven. A portion of the LDFA was done recently for this year's program.

Mr. Davis said that some good news since the last meeting was that Avon Rd. was opened. The project had pretty much been on schedule. The same contractor that did Avon Rd. was now working on the roundabout at Tienken and Livernois. That project was only a little behind because of rain delays, but it should wrap up at the end of October or early November.

Mr. Davis advised that the City was recently a recipient of a \$2 million Saw Grant, which was related to the City's existing sanitary and storm sewer systems. They would have about \$1 million to study the existing systems. They would do an asset management study within the LDFA district, to see what they should improve. Council would be approving the local match, and they would select a consultant next year.

Mr. Davis outlined a couple of MDOT projects not within the LDFA district. A signal modernization and construction of a center turn lane between Livernois and Rochester on Auburn Rd. was planned for 2016. Another was a scoping project for Rochester Rd, which was a preliminary engineering study MDOT would do on the corridor. They would look at it as if money was not an object to see how they would fix the corridor. It would involve Rochester Rd. between M-59 and the Paint Creek Trail north of Avon. He attended a meeting to review the 370-page draft report. MDOT was going to recommend a four-lane boulevard. He noted that the

intersections of Rochester and Auburn and Rochester and Hamlin had the largest number of accidents in a year, and a boulevard would improve those situations. He believed that the project would cost \$37 million to implement - just for the construction. It might never move forward, but he had seen projects where funding was a primary issue, and then all of a sudden funding was made available, and a project moved forward. The Adams Rd. relocation, at one point, was not going to go because there was no money, but then it did. The same thing happened with the Crooks Rd. interchange. For many years, it was said that there was no money, but then because M-59 was widened, it happened. The M-59 widening between Crooks and Ryan was the third project. It was a \$50-60 million project that happened when President Obama came through with the stimulus package. It was a project had had been sitting on the shelf, and it was shovel ready, and all of a sudden it got done. Mr. Davis commented that the nice thing about a scoping study was that it took the first step towards design and consideration of a future project being constructed. Although it would be expensive, and right-of-way would need to be acquired, he was optimistic. He thought that more information should be available in a few weeks, and that they might see an article in the news soon.

Mr. Davis advised that the Hamlin Rd. project was moving forward, which was on track for construction in 2015. They were still in the right-of-way acquisition phase. He advised that the project would go from Livernois to Dequindre (three miles), and two of the miles would be an overlay of the existing road. From Livernois to Rochester, there would be a three-lane section with curb and gutter.

Mr. Davis met with someone from the Road Commission the day before about re-doing Tienken Rd. between Adams and Livernois. The City was still moving forward with that project, and it was at a critical point. They had to acquire all of the right-of-way to redo the pathways, but he believed that as far as the road was concerned, they would be able to move forward next year, if Council supported advance constructing it and fronting the money.

Mr. Stoner confirmed that there was a very good likelihood that both sides of Tienken would be impacted next year. Mr. Davis said that the part of Tienken from Livernois to Rochester was scheduled to start in early May 2015 and go until August, and Livernois to Adams might need from May to November. Mr. Stoner asked if the intersection at Adams and Tienken would be part of the project. Mr. Davis said they were looking at it, and the Council member for that district really wanted to have some

improvements done at the intersection. They were going to try to do a right turn lane on westbound Tienken to northbound Adams. Mr. Stoner said that he asked because if Tienken and Adams were closed at the same time, it would complicate things. Mr. Davis believed that the project would be done under traffic, so it would not be a total closure. Mr. Davis concluded that next year would be just as big for projects. There were some positions at the City that had not been filled, although they were in the process of doing so.

Ms. Janulis commented that Avon Rd. looked very nice. Mr. Davis agreed that the Road Commission did a good job. He said that it was unfortunate that the intersection at Crooks and Avon was closed for much longer than planned. Ms. Janulis noted that University was more impacted than ever. People had re-routed to use it during the summer, and they had not gone back to Avon. She was surprised that there was no traffic on Avon at 5:00 p.m. Mr. Davis agreed that there was a lot of traffic on eastbound Walton, and he had called the Road Commission about it. He thought that the signal at Old Perch might have to be adjusted.

Discussed

2013-0139

Update from Strategic Communication Solutions - Bill Bullard, SCS

Ms. Valentik mentioned that since the last meeting, the City had filled its Manager of Planning position. Sara Roediger, formerly with the cities of Novi and West Bloomfield, was hired recently, and Ms. Valentik commented that she was doing a fantastic job.

Ms. Valentik said that last week, Money Magazine announced that Rochester Hills was in the top ten for best places to live in America. Rochester Hills was number nine in the United States, and number one in Michigan. The City put together a new logo, and they would be doing a lot of events and celebratory opportunities. There was a Creativity Committee to brainstorm ideas for how to get the word out. She stated that it was a major accomplishment for the City. The magazine staff sent about 30 people into the community to talk to people about the schools, the businesses, the shopping, etc., and that was how Rochester Hills made the list. From an economic development standpoint, she was sharing that with the business community. She noted that the City welcomed a French company into town a couple of weeks ago. The company could take that message back to France - that it did pick a good community that was recognized on a national level for its business and community spirit. A lot of the businesses were planning to use that in

their efforts to attract talent to the area, because so many of the companies had to look outside of Michigan to fill positions.

Ms. Valentik mentioned that a building within the LDFA was recently sold, and it had been vacant for almost three years. It was the former Dana Building, which was first purchased by Sunlogics. Sunlogics never really did what they intended with the building and moved out. It was 143,000 square feet, the largest industrial building in the LDFA. The buyer owned a couple of engineering companies, and his businesses were growing. He also owned various industrial properties across the metro Detroit area. One of the challenges with that building was that the shop space was "chopped up." The new owner was working with the Building Dept. to open the shop space.

Ms. Valentik advised that the City had a 3.7% vacancy rate in the industrial area, which was the lowest it had been in almost ten years. The options were getting smaller, but it created the opportunity for the City to be a little more targeted in its efforts to find companies to fill those spaces left. If all of the office, retail and industrial were combined, the City had a 5.7% vacancy rate, which was also the lowest it had been in ten years.

Mr. Ellis asked if anything was going on with the City's property on Hamlin. Ms. Valentik said that she had gotten some inquiries. The market seemed to be coming back, and they were going to try to get a better understanding of the rate. Some prospects had claimed that the asking price was high, but the City had always asked people to make an offer, and then there were never any follow-ups. Mr. Ellis said that size wise, Auburn Hills had similar sales. Ms. Valentik noted that the City subscribed to Co-Star (real estate data base), and she talked with a research assistant assigned to keeping the Hamlin Rd. property updated. She used Co-Star to do site searches for companies. Mr. Ellis suggested a person Mr. Dawson could talk to, because there were four or five similar property sales in the last year or so. Ms. Valentik advised that Co-Star did email her the day before with a listing of industrial land that had sold in the last three years, which included Macomb County. It had always been the City's intention to sell the property as a full package. The way it was zoned, a project there would be eligible for a real property tax abatement, and there was a cost for the City to offer that incentive. She reminded that the LDFA Board had discussed putting aside money for public improvements to that property, as well.

Mr. Ellis related that the Auburn Hills sales had been around \$1.80 to \$2.10 per square foot, and they were also giving abatements, although

they recently had a higher-priced sale. Ms. Valentik thanked Mr. Ellis for that information. She advised that she would be attending a North American Summit called Core Net, which included corporate real estate executives, site selection consultants and brokerage firms from across the country. It would help Ms. Valentik identify who was moving on a national level and who was looking at various communities. She would be attending that with the Michigan Economic Development Corporation, Oakland County and the Detroit Regional Chamber. They would hold a Michigan reception during the conference, and they would try and reach out to certain companies or site selection consultants to build relationships. They would share the award Rochester Hills won for being the 9th best city to live in the country. She turned it over to Mr. Bullard to discuss the personal property tax issue.

Mr. Bullard handed out an excerpt from the Michigan Citizens Research Council. He advised that the statewide vote in August confirmed that personal property tax would be phased out. In one of the statutes implementing the phase out, all TIF authorities - DDAs, LDFAs, etc. - would be reimbursed 100%. He noted that his firm represented a number of municipalities, and people had said that local governments were promised things by the State all the time (such as revenue sharing), and they asked if the promise to reimburse would be kept. Mr. Bullard indicated that revenue sharing was a different animal, in the sense that there was a statute which set forth how it would be calculated. The Attorney General ruled that it was subject to an annual appropriation. All Governors, going back to Jim Blanchard, cut revenue sharing when times were tough and revenues declined. He agreed that it was a broken promise by the State. There was a report that the State had violated the Headley Amendment to the Constitution in the billions of dollars, forcing local governments to have unfunded mandates. It might change, because when the local government groups such as the Michigan Municipal League, Michigan Townships Association, and the Michigan Association of Counties negotiated with the Snyder administration, the number one thing they did not want to depend on was an annual appropriation. This year, if a business in Rochester Hills had \$80k or less of personal property, it would not pay any tax. Starting next year, and for the next ten years, the personal property tax would be phased out. If the proper forms were filed, the LDFA would be reimbursed 100%, and he thought there was a pretty good chance that would occur. If there was a little glitch in the statute, and the reimbursement was not 100%, he suggested that going to a local legislator might get it fixed.

Mr. Bullard thought that for planning and budgetary purposes, the LDFA

would be held harmless. He mentioned Bill 5856, which was an amendment to the Downtown Development Authority Act of 1975. (He clarified that the City's LDFA was formed in 1994). If the bill was passed, it could significantly affect LDFAs, depending on the final version. Representative Eileen Kowall was term limited, and she wanted to get the bill passed by the end of the year. She got involved in the issue when people became aware that the ZOO and DIA Millages were being used for DDAs, LDFAs and other TIF authorities. People voted for the ZOO, and that was what they wanted to support. Representative Kowall helped create and pass a bill that would assure that TIF authorities would not be allowed to take any of that tax money. Ms. Kowall became aware that she was just scratching the surface, and she found out that there were other abuses that TIF authorities were doing to the system. They were not transparent, and there were a lot of issues. His firm represented the Michigan Downtown Association, which was a volunteer association. He thought that it might be a good idea for the LDFA to join that association (\$100 per year). Some members of his firm sat in a committee meeting with Ms. Kowall about a year-and-a-half ago, and the chairman was a key mainstreet administrator with Oakland County. SCS wanted to be at the table to talk about some things that might have a negative effect. Some of the negative things talked about that were not in the bill, meaning they were successful in keeping them out, were things like resetting the base year every five years. If the LDFA was formed in 1994, the base year would be 1994. It would allow a taxing jurisdiction to opt out of having taxes diverted to a TIF authority. Another negative was game sharing, which was in the original bill. Mr. Bullard said that the problem with a bill introduced in the capitol was that it had to go through two committees, through the House and Senate floors to get successfully passed, and anyone could offer an amendment. The Michigan Association of Counties was trying to amend the bill to do some of the things they considered negative. Post 1994, taxing jurisdictions had the ability to opt out; prior to that, they did not, and that was a major issue. Ms. Kowall wanted a legacy after her six years in office. In four years, she would probably run for the State Senate, and it was normal to try to accomplish something when you were a legislator for a short time. The bill that was introduced was probably innocuous, and his group had two committee hearings on it. The Michigan Downtown Association testified that they supported the bill as introduced. Ms. Kowall came up with a bill which had game sharing, and they were not sure they supported that. Mr. Bullard said that he could come back in six months, and say that someone introduced a bill that affected LDFAs. When Ms. Kowall got involved in the speaker's staff, she was asked why she was amending the DDA when there were other Acts, including the LDFA Act. They wanted to see a

comprehensive approach, and one version of the bill did amend the LDFA Act, and that was why he was bringing it to the board's attention. It was an issue that would not go away because Ms. Kowall went away. MAC and other groups would have another legislator carry their ideas forward in the next session.

Ms. Valentik clarified that LDFAs were not in the bill. Mr. Bullard did not think that they would be in between now and the end of the year. Ms. Kowall was trying to add some transparency and other things that were not controversial and trying to get a bill through, but the danger to the LDFA board would be in the next two or four-year cycle.

Ms. Janulis asked who would champion it. Mr. Bullard said that the Michigan Association of Counties was the main champion of reform. Their view was that the portion of the TIF revenues that would go to Oakland County, if the LDFA did not exist, was their revenue. They thought that they should have a representative on the LDFA, and that they should have a right to veto a project, which he felt was an extreme view. The transparency language was something his group had suggested to Ms. Kowall. There were some local units of government that felt that they had gone too far in offering that transparency language. There were requirements for DDAs and LDFAs to send reporting information to the State, and he found out that the woman at the State who received the reports retired a couple of years ago, and no one had been named to replace her. Through the years, only about 20% of the TIF authorities were actually submitting reports to the State.

Ms. Valentik thought that it should be an administrative requirement or correction. Mr. Bullard agreed it could be a policy. Ms. Janulis said that she was surprised that the Counties did not believe in local control. Mr. Bullard said that Oakland County government had recently gotten involved. At the Board of Commissioners, there was a TIF coordinating committee, and Oakland County had taken the point of view that it would like to have the pre-1994 TIF authorities be the same as the post. They would like to opt out or negotiate things with those authorities. It was an issue that might or might not result in legislation this year, but whatever legislation was passed would probably be "vanilla." It would not hurt DDAs; it was just sort of common sense. There were ideas out there that could significantly affect the LDFA and its revenues, however.

Ms. Valentik asked if there were any other representatives that had gotten on Ms. Kowall's team that were not term limited that might carry the baton once she was gone. Mr. Bullard agreed that she had some support. His

firm represented about 200 DDAs around the State, and for 18 months, they had been having local DDA directors talk to their legislators. He did not think there was support this term (to the end of the year) to pass anything radical that would hurt LDFAs. He concluded that the Michigan Association of Counties was very passionate about the issue, and they would recruit a legislator for the next session.

Discussed

ANY OTHER BUSINESS

There was no further business to come before the LDFA board.

NEXT MEETING DATE

Chairperson Slavik reminded the LDFA Board that the next Regular Meeting was scheduled for January 8, 2014 (subsequently cancelled).

ADJOURNMENT

Hearing no further business to come before the LDFA Board, and upon motion by Ms. Janulis, seconded by Mr. Stoner, Chairperson Slavik adjourned the Regular LDFA Meeting at 8:13 a.m.

Respectfully Submitted,

Stephan Slavik, Chairperson
Rochester Hills
Local Development Finance Authority

Maureen Gentry, Recording Secretary