Breuckman introduced Tom Wackerman of ASTI, who would walk the members through the Policy. Chairperson McGarry stated that he heard no objections to changing the order of the agenda.

2013-0393 Review BRA Policy Statement

Mr. Wackerman recalled that the idea for the Policy in 2009 was to standardize the approach to some of the key elements that a lot of communities struggled with, for example, whether there would be claw back provisions or if interest would be allowed. They questioned whether they would allow something in all cases or only in cases where there were clear economic needs to have a Brownfield incentive. They had a workshop with the City Council and discussed using Brownfield incentives as a redevelopment tool, and they created a draft Policy. Then the recession hit, and the City did not see any Brownfield Plans. He went through the 2009 Policy with the Planning Staff and took out some of the old language from previous legislation. Mr. Wackerman walked the members through the proposed draft as followed and explained the changes.

Mr. Wackerman maintained that the process in the document should support the economic development goals and objectives of the City. He mentioned that when he developed a Policy for Traverse City, the number one thing on the table was groundwater migration impacts and how to protect the Bay. When he developed a Policy for the City of Flint, it was basically one sentence: "If you build it here, we will give you any money you want." Flint wanted investment and was not particular about what type. In both cities, there was a facilitated workshop to figure out what they wanted, similar to what the BRA and Council did in 2009. He hoped the members would not get too bogged down in the details, and that they could determine whether the new Policy provided the City with an economic development tool.

Mr. Wackerman started with the Introduction, commenting that it set the tone for the rest of the document. It outlined that the City would look at properties that were both contaminated and perceived to be contaminated. Some communities, such as Birmingham, would only look at properties that were truly contaminated and truly had an environmental impediment to real estate development. Other cities, such as Inkster, would look at any property, whether it might be impacted or not. The members had to decide if they wanted to set a Policy that was very broad or narrow. The proposed draft was broader. In the second line, it read in part, "complicated by the presence, potential presence or

perceived presence of a hazardous substance, pollutant or contaminant."

Mr. Turnbull mentioned the definition in the Policy, and said that he did not really know if any contamination existed on the site they reviewed in July (Rochester Retail). He had a concern with the whole proposal, and he wondered why the City should pay to ready the site for the developer just because he gave the seller whatever he asked.

Mr. Wackerman indicated that it was a very good question. He said that the DEQ had problems with the application, also. He noted that in Birmingham, a site would have to be a Brownfield to be eligible for tax increment financing. If there were no expenses for remediating impacts, Birmingham would not bring a Brownfield Plan to the BRA. They were not interested in demolition or asbestos abatement costs. Mr. Turnbull thought that the BRA could review a Plan if something was functionally obsolete, but he noted that was not in the draft. Mr. Wackerman clarified that the proposed Policy was for any Brownfield. Mr. Turnbull asked if they could define something as a Brownfield if it was functionally obsolete. Mr. Wackerman agreed, and said that there were six definitions of a Brownfield - contaminated above residential, functionally obsolete. blighted, in a land bank, a historic resource or adjacent and contiquous to any of the previous five, where economic development on the adjacent and contiguous properties was necessary for economic development of the core property. Mr. Turnbull reiterated that functionally obsolete was not in the Policy's definition.

Mr. Dawson pointed out that the Policy said, "Brownfield incentives are available to assist developers with the extraordinary costs of redeveloping impaired properties." He stated that the Rochester Retail developer would have to demo the buildings anyway, and he questioned whether there were extraordinary costs. Mr. Wackerman agreed that should be a consideration. He felt that the Policy needed to be designed for all Brownfields, because people could come to the BRA saying they had a Brownfield, but it did not necessarily mean it was contaminated.

Ms. Morita referred to the first sentence of the Policy, and said that it only dealt with contaminated properties. It talked about hazardous substance, pollutant or contaminant, but it did not deal with ugly or old. She recalled discussing it four years ago. Mr. Wackerman suggested ending the sentence after the word complicated and leaving it broad. Ms. Morita quested whether they wanted to leave it broad, and Mr. Wackerman deferred to the Board. Ms. Morita said that she did not really want to, adding that she was not speaking for everyone.

Mr. Turnbull agreed with Ms. Morita, and observed that Rochester Hills was somewhere in between what Birmingham and Flint wanted to do. He did not think they should be the solution for a buyer who paid so much for property and then wanted the BRA to pay for clearing the site. There might be a little pocket of something that had to be remediated, but he noted that the majority of the costs in the Rochester Retail Brownfield Plan were not environmental.

Mr. Breuckman said that it occurred to him that along with blighted and functionally obsolete, it would be valuable to include historic resources. He asked for a definition of historic resources.

Mr. Wackerman explained that an historic resource was not the same as an historic building. It could be any building that had a history or that was historically significant to the community. Mr. Breuckman asked if it was safe to say that any building in a locally designated historic district would qualify. He mentioned it because there were a couple of buildings in Rochester Hills, most notably Twist Drill at Rochester and Tienken that likely had environmental contamination. It was possible that parts of that site were not contaminated, but the City might still want to incentivize its preservation. Specific to historic, he felt that they should keep it open.

Ms. Morita asked Mr. Webber if he had heard anything from Council about using this tool. She remembered hearing him discuss that the tools in the City's toolbox to incentivize people to redevelop were getting fewer and fewer.

Mr. Webber said that from his perspective, they were amending the Policy based on the State's items. If developers had a property that qualified, they would ultimately be looking for State dollars. He would narrow what qualified, to some degree, to the State's perspective. Mr. Wackerman advised that the State recognized all six definitions. Mr. Justin said that it mentioned historical activities in the first sentence, but it appeared limited.

Chairperson McGarry said that the Policy did not allow them to entertain all six, and there was some blighted or functionally obsolete property in the City. On a case-by-case valuation, he felt that it might make sense to help improve some of them; otherwise, some of those properties sat for a really long time.

Mr. Breuckman noted that they were at the very broad element of the

Policy, and there were more specific criteria as they went forward.

Chairperson McGarry felt that at a minimum, they needed to rethink the first few sentences. He agreed that it set the tone, but he was not sure it set the tone for where they wanted to be.

Mr. Wackerman suggested again that they put a period after the word complicated and strike the rest of the sentence. After they looked at the specifics in the Policy, they could come back and talk about it again. It would read, "Brownfields are properties that have been impacted from historical activities and where the expansion, redevelopment or reuse may be complicated." He and Staff discussed that the Policy should be consistent with the community's objectives and give a framework in which to operate. However, if a great project came along that did not fit into what they were discussing, the Policy should still have the flexibility to allow something.

Ms. Morita said that she had concerns about that because if they had a wide open purview of what could be done under the Policy, and then the City was perceived as cherry picking one project over another, it could open the City up to other issues. If a property owner felt aggrieved because the City agreed to pay to demo one building but not his, it could be problematic. She suggested that they might keep the sentence the way it was and add "under exceptional circumstances, the City may, at its sole discretion, consider other projects." She would prefer to have it narrow with the possibility of adding an exception, as opposed to making it wide to begin with and having to tell everyone no.

Mr. Wackerman pointed out that Ms. Morita's language was in the Policy (regarding discretion). Ms. Morita said that she saw that, but the problem was that the first sentence said, "hazardous substance, pollutant or contaminant." Mr. Wackerman said that some of that was artifact because when they met in 2009, the only Brownfields they could consider as a non-core community were those that were contaminated. They had no ability to look at blighted and functionally obsolete. Now they did have the ability to look at that, but only for a narrow band of eligible activities. Mr. Wackerman had looked up the definition of historic resource: A publicly or privately owned historic building or structure located within an historic district, designated by the National Register of Historic Places, the State Register of Historic Sites or a local unit acting under the local Historic Districts Act.

Mr. Breuckman felt that was really important, because the City lost

Historic Tax Credits, and there were no longer incentives for historic preservation. He would like to see historic, specifically, in the Policy.

Mr. Justin said that when it talked about impact from historical activities, it meant past activities and not a historical building. The requirement was that something in the past occurred and "where the expansion, redevelopment or reuse may be complicated by the presence, potential presence or perceived presence of a hazardous substance, pollutant or contaminant" was the other piece. He wondered if there was no contamination and someone applied, if the BRA would have the ability to reject it because there was no contaminant. If they added the part about blighted, etc., then as Mr. Turnbull brought up, someone could come to them and ask for help with the demolition, which was not really what he thought the City's intent was. He could see certain situations where it might be advantageous because the City would want the re-development. They might need to isolate the part about a project being at the City's discretion and make it a separate item.

Chairperson McGarry agreed that then it would not look like they were picking favorites, and they would be allowing something rather than restricting it. He thought that they could have more issues by restricting versus allowing.

Ms. Morita agreed, and said that they would open themselves up to the argument that they were treating one property owner more favorably than another if the policy was really broad and they had to keep telling people no.

Chairperson McGarry said that he could see Ms. Morita's point. If the Policy was narrower, it protected the City from liability in terms of someone thinking the City was cherry-picking projects. They had not had a history of working on a lot of projects, but if they had a narrow Policy, and they allowed two or three exceptions, he wondered if someone could come back and accuse them of doing something for one but not another.

Ms. Morita said that she would hope there was enough of a record to show how extraordinary a project was and why it met the standards. She felt that if they had an open Policy that said the City could do anything and then they constantly told people no, but one was approved, there would automatically be a sense of entitlement to begin with. If there were people who said that they bought in the City because of the Policy, but the City told them no yet let the guy down the street do something, she felt that it could cause problems.

Chairperson McGarry referred to blighted and functionally obsolete properties, which were two of the six that the State allowed. He asked if the State also designated money toward them or if there were different buckets of money.

Mr. Wackerman advised that it was the same bucket of money, and any way a property was defined as a Brownfield, it could get some of that money. The practical answer was that the State was very narrowly defining the type of project they were willing to incentivize, although the Act said any of the six were eligible for Brownfield incentives. The State was coming out with its Policy in a month or so, and it was defining what was eligible much narrower than the broad regulatory definition. They were only interested in incentivizing urban, mixed-use projects that had a definite need for financing. If someone brought a shopping center to the State (MEDC), it would not be approved. The MDEQ, which had its own criteria and was the other half of the approval process, was beginning to come in line with the MEDC. He thought that if there was a strip mall that was horribly contaminated, then the MEDC might say no, but the MDEQ might say yes because of their different missions. He added that the State was trying to narrow the band of who got the money.

Chairperson McGarry asked if there was State money or grants for a project, if they should consider those a little broader. He clarified that if there was money from the City that went to a project versus a State grant, he thought they might want to look more favorably at any money that could come in from outside Rochester Hills.

Mr. Wackerman commented that Chairperson McGarry hit on the major issue in the process. Currently, the way it was set up, the BRA approved a Brownfield Plan, which gave an applicant access to local taxes. Then the Plan went to two different agencies, depending on the eligible activities, and they would approve or disapprove the school tax capture. If an applicant came to a city and asked for \$10 million, and if it was 60% school, 40% local, the State would disallow it in a number of cases. The developer could come back to the local and say the local was originally willing to give him 40% of \$10 million, but since the State did not support it, they could ask for 100%. A number of communities were saying that was not the deal, because they needed the State. If the State was not involved, the local had to reconsider. Most municipalities were limiting local contribution to the proportional share. That was what the proposed Policy did. It said that if a developer came to the City, and the City's share was so much and the State's share was so much and the State

turned it down, the City would only approve its share. There were a couple of idiosyncrasies to that, for example, if an applicant came to the City for local only and they did not intend to go to the State, the City would have to determine whether it would approve the full amount or just the proportional share. He observed that communities were now grappling with the issue of having the State in a different place.

Chairperson McGarry said that was partly what he was commenting on, and the other part was whether there was a waiver. It sounded like the City would have to contribute in either case. Mr. Wackerman said that the locals had to pass a Brownfield Plan before the State would even look at it. Chairperson McGarry asked if there would be a way to write the Policy so that if the State did not play, the City would have the right to say it could not play, either. He asked if the City would already be on the hook for the proportional share.

Mr. Wackerman responded that the State should always be involved early on. He noted that the Rochester Retail developer did not involve the State. The City had to approve its share first before the State was in. He was not sure if the City could back out of its proportional share, and he had never seen a conditional Brownfield Plan. The State had to see a City Council-approved Brownfield Plan and a signed reimbursement agreement before they would consider giving State dollars. They wanted the City to be all in first, but they might or might not be all in. He indicated that the State would not do an official review unless there was a final approval from the City.

Mr. Stanley believed that the municipal passage included the Master Plan, which included the State portion. Mr. Wackerman said that it could, but there was no requirement to go for school tax capture for the State component. There were quite a few Plans that only went for local. There were some advantages to developers for that because they did not have to deal with the State, which had its own narrow definitions. For example, if a City wanted to incentivize an indoor tennis court at the Landfill Planning area by Dequindre, the State would not give that project a nickel. However, perhaps the City might want to incentivize it. There could be a local only Plan for that. Under the old Act, he did a local only Plan for the City of East Lansing, which included a parking tower. It was not allowed at the time by the State, but the locals considered it an infrastructure, so a local only Plan was passed, which was much more liberal than what the State would have allowed, and it allowed TIF to be captured. He stated that a local only Plan had more flexibility, and there were some advantages to a local only Plan if it made financial economic

development sense.

Mr. Webber said he considered that the biggest Brownfields in the City would all need State support. There had been stops and starts where the City worked with a large project, and then they found out they were not going to get State approval, and the project went away for awhile. Some of those projects needed a lot of cleanup. He understood what the State was trying to do with some blighted areas, but when he thought of the BRA Policy, he envisioned the City's big Brownfield sites. He observed that the City had some unique sites, and that was what he would like the BRA to focus on.

Mr. Turnbull agreed that those sites would not get off the ground without the State. He did not believe that the Rochester Retail development needed that to get off the ground. He commented that he would not have bought that property if he was the developer, or he would have gone back to the seller and said that he needed some money taken off to clear the site.

Mr. Webber asked about the gas station part of it. Mr. Turnbull agreed that there might be some component that was eligible. Mr. Webber thought it might just be in the gas station area. When the applicant came before Council, Mr. Webber had questioned whether that part could be cleaned up and transitioned from an old gas station to a retail development.

Ms. Morita noted that she had been involved in some transactions with gas stations, and anyone who bought a gas station normally assumed it was contaminated, and it was factored into the price. She questioned the applicant coming to them asking for tax incentives to redevelop the property, when it should have been factored into the price. If it was not factored into the purchase price, she indicated that the applicant's reasonableness as a developer was concerning.

Mr. Webber acknowledged that, and he stressed that the BRA had a scope. Ms. Morita said that for big, contaminated sites in the City, they were not really concerned about demolition because they were mostly vacant. In terms of the Policy, even several years ago, they were thinking about those larger sites. They were only thinking about sites that had contamination; they were not looking at doing building rehab or demolition. She believed the language crafted several years ago was with the big sites in mind.

Chairperson McGarry pointed out that many gas stations were located on corners. Part of the mission, and what he thought the Mayor and Council stood behind, was the City's image. An old, vacant gas station sitting unmaintained for many years did not, to him, help fashion the image of Rochester Hills. He felt that there was a benefit to help some of those properties that were highly visible.

Mr. Turnbull noted that there was an environmental component of the Policy under which the Rochester and Auburn site would qualify. However, in addition to cleaning up the corner, the City was being asked to foot the bill for all of the other activities.

Chairperson McGarry was asking them to look at it from a different perspective and perhaps see that there were reasons why they should look at sites on a case-by-case basis. Mr. Turnbull wondered about the Lowe's across the street. Years ago it was an auto dealership, and the City did not pay for that cleanup. Lowe's factored it in to the purchase price. They knew they had to clear the site to ready it. It was an old dealership, but he did not think that it had a major environmental component to it. The gas station might, but there was probably more to deal with at the former GMC dealership where Lowe's was now.

Mr. Dawson mentioned extraordinary costs, and said that demo-ing the auto dealership was not extraordinary. He maintained that they would have had to demo that site anyway.

Mr. Stanley stated that if the City wanted to clean up an eye sore, that it should not be the BRA's project. Chairperson McGarry agreed, but he said that sometimes there were empty sites that sat for years. Mr. Stanley thought that the Mayor and Council should have other means to redevelop sites rather than the BRA.

Mr. Sera said that at the beginning of the meeting, someone mentioned looking at the goals of the City, and he indicated that the Policy should be a mechanism for that. He agreed that he did not like looking at old, blighted sites for years.

Ms. Morita felt that if they put an exception about "at the sole discretion of the BRA" and there was a corner gas station on a major entry point of the City, it would allow for that type of consideration. If it was something the City really wanted to do that would have an impact on the surrounding properties, the exception would allow it. She did not want to see older strip centers that just needed a face lift coming in with a request.

Mr. Breuckman suggested that they look at the objective criteria in the Policy which would naturally filter out the marginal projects. It was the subjective override in a few instances that they might want to talk about, but in terms of not incentivizing marginal projects, he felt that they had language in the Policy regarding objective criteria.

Mr. Wackerman said that he tried to address a lot of the things they were talking about. He mentioned the comment that demo-ing was something a developer had to do anyway. It was an ordinary cost of doing business. which he said was Birmingham's position. They would only cover extraordinary environmental conditions. Most communities were moving the discussion from a science, health, public safety and environment discussion to an economic development discussion. They were not caring as much what project was brought forward as long as it had an economic need. He noted that the City of Detroit almost exclusively looked at internal rate of return on a seven-year payback, assuming the sale of the property in the seventh year. If it was less than 25%, Detroit would consider a project. He did not think the BRA should be concerned whether there was a lot or a little contamination on a property or if something did or did not have to be dug up. His objective was not to dig something up; he would rather see something closed in place. It was cheaper, and it had less complications. He would like them to talk on an economic development basis. They should determine the value of a project to the City and the way to deploy City dollars to make it go. He asked the members what they thought about that concept.

Mr. Justin thought that was the way they would finally look at a whole project. They had to realize whether the City would benefit financially from a project or not.

Mr. Wackerman moved to the second paragraph and read, "This Policy was designed to promote the use of City Brownfield Incentives for projects that will 1. Incorporate a preference for source control, active remediation or mitigation; and 2. Create full time jobs; and 3. Provide an increase in taxable value to the property and a potential beneficial effect in the area that would not have occurred without the incentives; and 4. Use these incentives only after all other sources of funding for eligible activities have been exhausted."

Mr. Wackerman indicated that the members had to decide if that was the stand they wanted to take. It would mean that, in general, it would cover projects that were economic benefits to the City and that also had

environmental problems. He asked if that was what the Policy should say.

Mr. Justin asked if it was talking about the definitions from the State statute. Mr. Wackerman replied that any project that qualified under the State statute would be a Brownfield. He said that if someone came to the BRA with a functionally obsolete building with no contamination, it would be a Brownfield that did not comply with number one above. If someone came with a contaminated property but it would only generate one job, it would be creating a full time job, but it would be questionable as to whether an increase in taxable value was created.

Mr. Stanley said that this was where they might want to add a fifth item and require a minimum return on investment. Mr. Wackerman clarified that number four was intended to imply that.

Mr. Wackerman read the next paragraph: "There are several types of funding incentives that can be used to assist Brownfield redevelopment. These include, among others, tax increment financing, revolving loan funds, low interest loans and grants." The last one referred to State financing, and they had to determine if they wanted the document to be very broad when talking about incentives in general. The City could grant a loan out of the Revolving Loan Fund. He read the last sentence, "All incentives require one or more of the parcels in a project to be classified as a Brownfield," and the next paragraph, "Pursuant to this policy, potential developers may identify Brownfields and apply for local and State Brownfield incentives for redevelopment. This Policy applies only to Brownfield tax increment financing and State of Michigan Brownfield incentives."

Mr. Wackerman continued reading the next several paragraphs regarding funding and eligible activities. Mr. Justin asked the general reaction to some of the large projects in the City that they would like to see developed and wondered if they would need every financing opportunity to make them happen. He noted that Mr. Wackerman had asked if the BRA should include demolition, abatement and interest in the Policy. Mr. Justin said that he would recommend leaving interest in because of the substantial pieces of property.

Ms. Morita agreed with Mr. Justin. She thought that the intent of the paragraph was to allow for that exceptional circumstance where they needed to consider it as a tool. She said that it basically said "no" to allowing interest. Mr. Justin agreed, and added that if someone pleaded

a case, the City could include it. Ms. Morita said that she was comfortable with it. She noted that the developer of the gas station (Rochester Retail) had not asked, but she thought that the Hamlin and Adams developer might at some point.

Mr. Wackerman brought up Revolving Loan Funds (RLF), and said that he was a very strong proponent. He thought they were wonderful tools. The way it typically worked was that money was collected in the back five years. The first five were for reimbursement, and then it was collected for the RLF. He looked through the Act and did not find any reason why they could not collect in the first five. The Policy read, "Tax capture for the City RLF will be included each year at 3% of the eligible activity captured annually by the applicant and for three years following reimbursement of the applicant, to the maximum amount permitted." He suggested changing that to five years rather than three. The State passed legislation which said that if school taxes were captured, 3% must now be captured for the State RLF. He suggested that it could be any number the members wanted, or it could be excluded.

Mr. Breuckman said that he and Mr. Anzek asked for it because they wanted to start building the RLF immediately.

Mr. Justin asked how they could start building it if they did not have a related project. Mr. Wackerman responded that they could only capture incremental taxes. If the taxable value of a property did not go up, either through improvement or appreciation, there would be nothing to capture.

Ms. Morita asked if 3% was enough. Mr. Wackerman remarked that it was a tough question, noting that 3% from one project could be peanuts. Ms. Morita asked what most communities did. Mr. Wackerman said that they waited until the end. The only community he knew of that did it at the front end was down river. Ms. Morita asked how much of a percentage they took at the end. Mr. Wackerman said that at the end, they would be limited to school tax capture, and they could only take as much as the applicant had been reimbursed. For local tax capture, they could go up to five years after. He did not know the percentage, but it typically was about the same as the applicant got. The last five years would have a higher value than the first ten, but if the last five years were at year 25 or 30, it would be a much smaller percentage. If the payback period was eight years, the last five years were about the same size. The percentage for RLF capture depended on the payback period. Ms. Morita indicated that if a developer put a shovel in the ground on day one, there would not be a large taxable value increase for five years, and she wondered if the

City would get anything. Mr. Wackerman said that the way the Policy was written, any time the applicant got something, the City got something.

Mr. Breuckman asked if the 3% a year was on top of what they would have gotten anyway. Mr. Wackerman agreed, and said the City would get the back five years anyway. Mr. Breuckman clarified that while the applicant was capturing, the 3% would be in addition. Mr. Wackerman added that it would be with the exclusion of the school, for which the City could only capture what the applicant captured. In essence, the City would be increasing the amount it could get in the RLF. Mr. Breuckman wanted to make sure that the City was not giving anything away by this. Mr. Wackerman agreed that the City would not be giving any other rights away; they could capture up to the allowable total amount. They would be giving the applicant 3% less each year, so it would take them 3% longer to get paid back. He did not think that was a big deal, because most paybacks ended with a partial last year. If they made it 50%, the payback would be twice as long.

Ms. Morita said that she was looking at it from a cost-benefit analysis. If the 3% for the Rochester Retail project amounted to \$1,800.00 a year, someone would have to administer it. She wondered if 3% would then be worth it for that project or if they should make it something more worthwhile. Mr. Wackerman said that a number of communities were dumping the incremental tax into the RLF pending the application for reimbursement, and then they would take it out for the reimbursement.

Mr. Dawson questioned whether the State would be dis-incentivized from participating if they made it more than 3%. If the State only got 3% and the City got 10%, for example, the payback period would be pushed out. Mr. Wackerman was not sure how the State would react because he had never done an RLF before. Ms. Morita asked Mr. Dawson if he could work with 3%. Mr. Dawson thought it would be enough to maintain the fund. He thought it would be better to ask Fiscal because they did the accounting. Mr. Justin thought that they should think about the percentage in terms of the larger projects. Mr. Turnbull said that if they got a couple going at \$10k a year, it would be something they could use. The members determined to change it to 5%.

Mr. Wackerman stated that the next thing to consider was that the new legislation permitted capture of eligible activities that occurred prior to approval of a Brownfield Plan. It used to be that they could only capture those eligible activities that were incurred after approval. The original

reason was that if applicants needed an incentive but spent the money, it was questionable if they needed the incentive in the first place. Some communities were telling applicants that they could spend money, but it was at their own risk. A city reserved the right not to give money an applicant had already spent, and that was in the following: "City Brownfield incentives are for expenses incurred after approval of the incentives, and usually cannot be applied to any expenses incurred prior to approval. As such, costs associated with eligible activities should be delayed until after approval in order to be eligible for reimbursement under this program. To receive the incentives, the date of completion and the amount invested must be as described in a Brownfield Plan and application." Mr. Wackerman asked the members if they wanted to enforce that.

Mr. Justin remarked that it would keep people honest. Mr. Wackerman indicated that applicants could make a table look anyway they wanted. Ms. Morita recalled the Hamlin and Adams project when the applicant finally went to the State and got an approved Plan. When it came time to open the site, the applicant did not have enough money to pay for construction bonds. The property did not get cleaned up, because it took so long to get through the process with the City and the State. There were people living around the site with no cleanup and no finality, and they were still living with an unsure situation. She felt that a lot of it was due to the delay in the Plan being approved. If someone wanted to start developing property and had costs that showed up in the accounting after the Plan was approved, she did not think that paragraph would stop someone, but it would delay the ability to clean up projects. Mr. Wackerman clarified that Ms. Morita thought it was detrimental. Ms. Morita agreed, and said that if a property owner was incurring more costs waiting for the Plan, it might make the development too expensive. If they could get started and not have carrying costs and get the taxable value increased with tenants, it would become less expensive to redevelop. She felt that the wait for the City and State stopped the Hamlin and Adams project.

Mr. Justin asked if it was the consent judgment issue. Ms. Morita agreed that there was also a consent judgment happening, but it took the Plan a long time to get through the Brownfield process. She recalled sitting through many meetings. Chairperson McGarry remembered that there were a lot of uncertainties in terms of exactly what needed to be remediated and at what level. Mr. Wackerman also recalled that there were a lot of revisions. Chairperson McGarry said that they were going to do a really grandiose cleanup, and then they started back peddling. He

asked if they should add City Council discretion in regards to demonstrating need. If the property was unique enough where an applicant had to do something up front, he wondered if they should allow it. Mr. Wackerman thought the answer to that was yes, because a threshold criterion like need applied to everything. He recommended changing the paragraph to, "Any costs incurred prior to a Brownfield Plan are done at your own risk because you might not get approval of the Brownfield Plan."

Ms. Morita did not think that they should tell an applicant who cleaned up a migrating, contaminated site before a Plan got approved that it was not a reimbursable activity. She thought that the City would want to encourage that.

Chairperson McGarry said that by the same token, if someone cleaned up a site before a Plan was approved, it might be questionable whether the applicant really needed to be reimbursed. Ms. Morita did not think she wanted to be in the business of shooting down someone who wanted to clean a site, especially if there was liability from migration. Mr. Wackerman said that the first problem was that most Brownfield redevelopment occurred without cleaning up anything. The second problem was that if someone was liable, incentives were not allowed. If someone was cleaning migration, there must be a liability, because innocent landowners would not do that - except in Ann Arbor. The BRA Policy in Ann Arbor stated that if someone wanted money, there had to be a cleanup for everything, even for something an applicant might not be liable. He wondered if the City's BRA should force people to clean up because it was giving public money, but there was the problem that if someone was liable, then there was not an eligible activity.

Ms. Morita thought they could still do that without taking away the reward to someone for doing the right thing. She hoped that some developers had a conscience, and if they had the ability to clean something up that could damage other people that they would do it. If people were willing to do the right thing, she would like to see them get reimbursed. Mr. Wackerman asked if she would like the whole paragraph omitted. Ms. Morita said that she would if it was contrary to the Statute.

Mr. Breuckman suggested that if someone wanted to clean a site, perhaps they could just come and ask the BRA without going through all the procedural hoops first. It could be some type of preliminary assurance that the BRA might consider it. Mr. Wackerman recommended against that. He said that someone could come before

them and make a great argument about why a project needed to move forward and then if the BRA found out it was very marginal, they might wonder why the applicant moved forward and expected tax credits. The BRA could come to a different conclusion after knowing all the details, so he recommended taking out the paragraph.

Mr. Wackerman referred to the next paragraph regarding keeping detailed records. He read, "Applicants are encouraged to obtain approval for school tax capture as appropriate for the eligible activities requested. Local tax capture for eligible activities will be limited to the proportional share that captured local tax mills have to the total property taxes, even in cases where State tax capture is not approved. The exception will be those cases where State tax capture had been denied by the State of Michigan and where there is a compelling local interest." Mr. Wackerman indicated that it was controversial for developers, and he asked the members if they wanted to consider it.

Mr. Justin questioned how many potential Brownfield sites, besides the large landfill areas, the City had. Mr. Wackerman thought that there were quite a few smaller ones in the old industrial and commercial areas and at gas stations and dealerships. Mr. Justin asked if the smaller ones were likely to get State support. Mr. Wackerman did not think they would get State support on any property in the City, because it was perceived as being too suburban without a traditional downtown. He acknowledged that the State might support extraordinary sites but not smaller ones.

Mr. Webber agreed that the State was more focused on the urban areas. He thought that the City could make a stronger case for the bigger sites off of M-59, but he felt that the City would be on its own for others. Mr. Wackerman asked if the City should be as inclusive as possible or whether they wanted to do things proportionally. Mr. Justin indicated that they always had that choice, so he did not think there was a reason to leave that paragraph in. If someone wanted to clean up smaller sites, the City could help.

Chairperson McGarry brought up compelling local interest, and said that if something was well demonstrated, it went back to justifying a position for the decisions made. Mr. Justin said that one of his concerns was that if someone had to apply to the State, it would further delay a project if they were going to be rejected. If they really wanted to get something done, the BRA/City should have the ability to tell what percentage they were willing to do. He was not sure they should make going to the State a requirement. Chairperson McGarry agreed that if they knew someone

would get turned down, there was no point. Mr. Breuckman suggested that if an applicant was willing to accept a proportional share, the City would not require going to the State. Mr. Justin said that it was his understanding that the City could say it was only going to do a proportional share, and if applicants wanted a school piece, they could go to the State. He added that the City also had the ability to give the entire amount over a certain period of time.

Mr. Wackerman went over the possible outcomes. Applicants could come to the BRA and the BRA could ask them to go to the State, and the State rejects the application. Then, the BRA could give them only a proportional share. The BRA could give 100%, but it would take twice as long to pay back. Or, an applicant could apply for only local taxes, and the BRA could give them proportional or the total.

Ms. Morita noted that the paragraph said it would only give 100% if an applicant had already gone to the State, been denied and the BRA determined there was a compelling local interest. Mr. Breuckman suggested that they took out "where State capture has been denied by the State of Michigan and." That way an applicant would not be forced to go to the State and be denied for the City to consider the request.

Regarding an applicant having to keep records, Ms. Morita said that eventually, someone would have to audit those records. The City would have to determine whether or not they were appropriately submitted, which meant more work. Ms. Morita asked if the escrow fees they were asking would cover the review of the accounts. Mr. Wackerman agreed that when they last discussed it, the intent was that it would only cover the engineering, legal and environmental review of the original document, not the review of the application. Ms. Morita stated that if there was an issue and forensic accounting was required, she would want the owner to pay for it, not the City. If the City had to sort out records, the City should not be responsible for the costs. Mr. Wackerman said that most cities would just hand them back to the developer, but he agreed someone would have to go through them. Ms. Morita stated that she would rather have someone outside of the City determine if someone was engaging in creative accounting or not. Mr. Breuckman asked if the yearly administrative fees would cover that, and Mr. Wackerman believed that they could. He noted that the Rochester Retail applicant would be paying \$18,000.00 for administrative costs, and he suggested that some of that could be reserved for the accounting. Mr. Breuckman asked about opening an escrow at the beginning. Mr. Wackerman thought that the escrow could include reviews and the accounting. Mr. Justin added that it would be an

incentive to do it right the first time.

Mr. Justin said that he presumed there would be an administrative expectation of what the records should look like. Mr. Wackerman agreed that a lot of cities had worksheets that people had to use. He stressed that it was not an insignificant issue, because it was the one place the BRA had control over actual reimbursement. Ms. Morita said that she had a lot of experience with construction projects, requests for payments and figuring out what the contractors were doing. If the City had to pay someone to go through records, it could cost thousands and thousands of dollars to try to figure out when waivers were obtained compared to when work was actually done and so forth. Mr. Justin asked Mr. Turnbull about the burden and if it would discourage someone from participating. Mr. Turnbull replied that there was not a burden if it was done right. He said that someone would have to do the review, and if it took five times to get through or one time, it should not be something for which the City had to add Staff.

Mr. Wackerman thought it would be about \$3-5,000, and he thought it could be covered under the administrative charge. They had to determine what the administrative fees were and what fees were escrowed. Ms. Morita said that she would like the accounting to be an escrow item. She agreed that would encourage people to do it right the first time. If they did not, they would have to keep paying for a review until it was right. Mr. Justin reminded that there would be an incentive to do it right, because the applicant could get money back.

Mr. Wackerman next discussed what was eligible in the City and read, "A construction, redevelopment, renovation or reconstruction project can be eligible for Brownfield incentives in the City if it meets all of the following criteria: 1. The property is located in the City of Rochester Hills; 2. The property is an eligible property as defined by Act 381; and 3. The developer has completed a Phase 1 ESA prior to purchase and, if the property is a facility, has, or will, submit a Baseline Environmental Assessment (BEA) to the MDEQ within 45 days of purchase or occupancy."

Ms. Morita asked Mr. Dawson if the City had any properties that were split down the middle along municipal lines. Mr. Dawson mentioned Great Oaks, which was residential, but he did not know of any commercial property.

Mr. Wackerman continued reading: "An eligible project can be

considered for Brownfield incentives in the City if it meets one or more of the following criteria: 1. The project Internal Rate of Return (IRR) indicates that it requires incentives to be successful; or 2. Development would not occur without the incentives; or 3. The development will ameliorate threats to public health or the environment that were caused by site conditions through remediation, mitigation or control." He advised that the paragraph asked for determination about whether there was a financial or an environmental cleanup issue. He noted that the sentences had an "or" after them rather than an "and."

Mr. Wackerman continued with the next paragraph, which talked about a project not being eligible for incentives if it met the following criteria: "1. The developer or applicant is responsible for the hazardous substance contamination identified at the property; or 2. The developer is not an innocent landowner as defined by Act 381 (had not done due diligence), or 3. The parcel on which development is proposed is not a Brownfield as defined by Act 381." He thought that those were fairly straight-forward.

Ms. Morita summarized that it took it beyond the "but-for" test. She explained that if they put "or" after each of the three, something might happen for number three even without incentives when there was contamination. Mr. Wackerman agreed. Ms. Morita asked if they wanted to put in "or" or "and." Mr. Wackerman said that it was a great question, and he suggested that one and two should have "and." Chairperson McGarry agreed that they were closely related, and Mr. Wackerman thought they could be combined with an "and," explaining that it should be cleanup and financial need. Ms. Morita offered that if they were going to stick with the notion of "but for the incentives, the project would not get done," that it should be both. The way it was written, if they put in "or," then the City would give an incentive even if someone did not need the money.

Mr. Wackerman responded that it would preclude a lot of Brownfields, because most Brownfields were closed without cleanup. The City would be asking for an active cleanup. He recommended taking number three out. Chairperson McGarry disagreed with that point, stating that it significantly gave more controls. Mr. Wackerman agreed that he was right. They determined to leave in all three. Mr. Justin suggested that they should change the first sentence to read that "a project could be considered for incentives if it met all of the following criteria." Regarding the paragraph about an eligible project's consideration, Chairperson McGarry thought that one and two could be combined if they wanted to have the option of later defining what internal rate of return would be

required.

Ms. Morita asked how historic paired into Brownfield redevelopment. If something was an historically designated site, she thought that incentives for that were separate from Brownfield. Mr. Breuckman said that there had been some incentives, but there were none anymore really, because the State had lumped the funding in with the Michigan Strategic Fund and Brownfield Fund. The City would no longer get any historic funding for projects. All the money for historic resources was going to downtown communities. If they wanted to have any incentives to redevelop a site like Twist Drill, he felt that the Policy was the best way forward.

Ms. Morita said that when they originally started talking about the Policy, historic was not even a consideration. She did not think it could be a consideration now because they did not know enough to know if it needed to be included. Chairperson McGarry pointed out that they did not consider it before, but the rules had changed. Ms. Morita said that they were still not considering it, and it sounded like it was something that needed to be on their radar. Ms. Morita asked if the City wanted the BRA to start considering historic sites as eligible for Brownfields. Mr. Breuckman said that they would not for someone's house, but there was a new and significant historic district that was not residential (Twist Drill site), and he felt that it could be something very good for the City.

Mr. Webber advised that when Council talked about Twist Drill. it was mainly about the historic designation, and Council did not make the whole site historic - it was just the front office. Council thought it could have a good re-adaptive use, similar to what other cities had done. He wondered if the City could incentivize that site. Mr. Breuckman said that the portion of the site that was in an historic district was likely the portion of the site where there was a smaller chance of environmental contamination, because it was an office. The back portion of the property definitely would have some environmental thresholds. If someone wanted to do something with the office portion, and they had something in the Policy, it could help the City incentivize it. Ms. Morita said that if they were dealing with something before 1970, she thought there might be something like lead paint or asbestos. Mr. Wackerman advised that neither of those were defining criterion for a Brownfield. Ms. Morita asked if, specific to historic, Mr. Wackerman could draft something for the members to consider for inclusion. She would like a better understanding before agreeing to add it.

Chairperson McGarry did not think that, by definition, they wanted to rule it

out. Ms. Morita indicated that she would still like to have a better understanding of why they needed to include it as part of the Brownfield Policy. She noted that Mr. Breuckman had brought it up several times, so it was important to him. Mr. Stanley asked if the State said they should include historic with Brownfields, and Mr. Breuckman advised that they had not specified that. Mr. Justin clarified that they would just be looking at non-residential historic sites. Mr. Wackerman suggested that under item four, they could add "or redevelops an historic resource." Mr. Morita said that if they were going to put historic resources in the Policy, they should start at the very top and work down through everything to make sure it was properly incorporated. Before they did include it, she would like to know more about why they needed to include it, and she would like to hear back from the Administration about whether it was something they wanted the BRA to look at. Chairperson McGarry agreed that they needed to find out if it was an objective of the City.

Mr. Wackerman moved to the project evaluation list and read, "Projects will be evaluated based on, but not limited to, the following criteria: Amount of property tax generated; amount of investment on a square-foot basis; job retention, creation and quality; location; existence of abandoned, blighted or functionally obsolete buildings; or whether the project will provide additional beneficial effects on the surrounding area and the community as a whole." He stated that none of it was defined; the form said high, medium and low. Ms. Morita believed that it was purposely undefined. Mr. Wackerman commented that in 2009, the list was about two-and-a-half times longer.

Mr. Wackerman moved a couple paragraphs down and read, "To remain eligible for the approved incentives, construction must start within five years of the executed Reimbursement Agreement and must be completed within three years of the estimated completion date." He advised that there was a five-year start requirement in the legislation, but not a three-year completion requirement. He continued reading, "Incentives will be adjusted based on actual expenditures on eligible activities and investments, but may not exceed the approved amount." Mr. Wackerman further advised that the legislation said that someone could only get reimbursements for what was actually expended, and the paragraph talked about a not-to-exceed amount.

Mr. Justin noted that nothing was listed about environmental results, and he wondered if they should include that component. Mr. Wackerman felt that it would make sense. He added that it was part of the eligibility criteria, but if they wanted to list it in the previous paragraph, it would be

consistent with what they had been saying about environmental being a primary condition. Mr. Justin felt that it was something they would want to evaluate.

Ms. Morita asked if the three-year completion date was from the 2009 Policy, which Mr. Wackerman confirmed. Mr. Turnbull clarified that it would be the City's limit, not the State's. Ms. Morita observed that if someone said they would only have a two-year build but did not build until year four, then they would not make the time limit. Mr. Wackerman agreed, and said that it was a statutory requirement. Ms. Morita said that someone would not complete something within three years of the estimated completion date if the estimated completion date was year two. Mr. Wackerman stated that was right; if the project slid by four years, the applicant could not make the three-vear estimate. If a project was delayed far enough, the second criterion could not be met. Ms. Morita asked if the intent of the paragraph was to make someone get a project done. Mr. Wackerman agreed, and said that the City could yank it if it was not. Ms. Morita did not think it was necessarily a bad idea, because they would not want sites open for very long. She thought they should leave the timeframes as they were.

Mr. Wackerman read a part of the paragraph regarding the BRA, "The primary task of the RHBRA is to promote and facilitate the reuse and redevelopment of environmentally impaired, blighted or functionally obsolete properties." That implied all major categories, but he thought that they should add the new category of historical resource. Ms. Morita said that they had not agreed to that yet. Mr. Stanley said that the word was primary. Ms. Morita asked if adding that would require a revision to the BRA By-laws. She wondered if it would have to go back to City Council if they were going to change the BRA's purpose. She stated that it had to be consistent with the By-laws and other things if they were going to change the purpose of the BRA.

Mr. Webber reminded that they were going through this exercise because the State laws had changed so much. Mr. Breuckman related that he would look over the By-laws, and Ms. Morita suggested also looking at the Council Minutes when the BRA was approved.

Mr. Wackerman suggested that rather than going step-by-step through the application process, that the members could go through it later and email him if they had any thoughts. He said that the next issue was fees. There was no cost for the initial meeting, at which there would be a recommendation to meet with the Brownfield Coordinator. There was no fee for submitting an application; however, there was a \$2,500 fee for review of the Brownfield Plan. The City would also charge a review fee at the time of submittal of a combined Brownfield Plan and 381 Work Plan or a separate 381 Work Plan. If the Brownfield Plan was approved, the City would require an annual administrative fee to be paid from tax increment financing. That would be 5% captured by the developer for each year of capture. Mr. Wackerman claimed that the 5% could be any number they wanted. Some cities charged an annual amount and some a percentage, but a city would be capped by legislation, depending upon how many Brownfields it had. He added that a city could only collect so much in total from all its Brownfields.

Ms. Morita asked if they should add language regarding an escrow for the accounting review. Mr. Wackerman said that it would go in the next paragraph, "The City will also charge a review fee at the time of submittal of a combined Brownfield Plan/381 Work Plan or a separate 381 Work Plan. This fee will include technical, legal and administrative review and will be based on the complexity of the selected remedy and the extent of the Work Plan. The developer will provide an escrow for the review fee." Ms. Morita indicated that it did not deal with reviews of reimbursement requests, and she would like to see language added for that.

Mr. Wackerman asked the members if they had any thoughts that had not been addressed. Ms. Morita said that she had a gripe with the rush in which the BRA had to review Plans. The group discussed appropriate timeframes for reviews, including for minor and major reviews. It was decided that minor reviews would have to be submitted to Staff at least nine business days before a meeting and major reviews at least 15 days. Printed packets would be due to the BRA at least a week (five business days) before the meeting.

UNFINISHED BUSINESS

2013-0271

Request for Approval of the proposed Brownfield Redevelopment Plan for Rochester Retail - City File No. 12-010 - For the former gasoline dispensing station and former dealership property located at 3010 and 3050 S. Rochester Road, located at the southwest corrner of Rochester and Auburn Roads, Rochester Auburn Associates, LLC, Applicant

Mr. Wackerman mentioned that he had not reviewed the new Brownfield Plan for the Rochester Retail development. After a meeting with the MDEQ, he found that the DEQ was not interested in supporting the Plan, because they felt that the applicant was a liable party for having operated the gas station after purchase without doing any due diligence or controls.