



Rochester Hills

Minutes

Local Development Finance Authority

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Brandy Boyd, Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Darlene Janulis, Tammy Muczynski, William Mull, Cassie Patterson, Stephan Slavik, Owen Winnie

Thursday, October 6, 2011

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Stephan Slavik called the Regular Meeting to order at 7:32 a.m. in Conference Room 221.

ROLL CALL

Present 7 - Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Stephan Slavik, Owen Winnie and Brandy Boyd

Absent 4 - Tammy Muczynski, William Mull, Cassie Patterson and Darlene Janulis

Quorum Present

Also present: Ed Anzek, Director of Planning and Economic Development
James Breuckman, Manager of Planning
Pamela Valentik, Manager of Economic Development
Paul Davis, City Engineer
Kurt Dawson, Director of Assessing/Treasury
Cheryl Gregory, Vice President, Spalding DeDecker
Maureen Gentry, Recording Secretary

APPROVAL OF MINUTES

Correction to Minutes: Page 13, change Mr. Owen to Mr. Winnie.

2011-0426 April 7, 2011 Regular Meeting

A motion was made by Golden, seconded by Winnie, that this matter be Approved as Amended. The motion carried by the following vote:

Aye 7 - Brantley, Damone, Ellis, Golden, Slavik, Winnie and Boyd

Absent 4 - Muczynski, Mull, Patterson and Janulis

COMMUNICATIONS

A) *Estimated Revenues and Expenditures in Fund Balance through 2026*

B) *Rochester Hills Companies Attracted/Retained in 2011*

Mr. Anzek passed out some documents, including a projection provided by the Fiscal Team, based on the revenue streams the LDFA was experiencing and what type of anticipated, conservative revenues to expect to the end of the LDFA lifespan. There was also a year-to-date summary of businesses that had come to town. He introduced Pamela Valentik, the City's new Manager of Economic Development. He offered the revenue chart in advance of the M-59 Corridor Study presentation, so as they began to discuss projects in the updated Infrastructure Plan - a component of the Study - they would have an idea of the type of revenues they would be looking at over the next ten to 15 years.

Mr. Damone asked for clarification of "fund balance." Mr. Anzek advised that it was basically a savings account. Mr. Damone referenced the year 2020 and asked if there would be \$3,258,000.00 in the account. Mr. Anzek agreed, and said that would be true if nothing was spent. The LDFA wanted to identify the top priority projects to have money for the LDFA area and see where they would get the best bang for the buck. The only thing LDFA funds were used for were \$200,000.00 annually for the Major Road Funds for repair work in the LDFA area and for half the salary of the Economic Development Manager. Those were the only two expenses. Revenue had been declining, but they were still earning money. They had been on a \$900,000.00 per year pace, but that had dropped to about \$400,000.00 because of declining property values. They were expected to decline further over the next couple of years, but not as much as shown. The numbers were conservative, and it should flatten in 2015 and start to climb again gradually.

Ms. Golden asked about the SmartZone. Mr. Anzek said it was under water. Last year there was a positive flow, but Mr. Dawson had to retain money for potential tax tribunal settlements. Ms. Golden clarified that it affected the Business INCubator at Oakland University significantly. Mr. Anzek agreed, but noted that the City had a good working relationship with the INCubator. The LDFA Board had discussed the possibility of a grant or loan for the INCubator. Oakland University's law team looked into it, and it did not appear it would be viable, so it had not been pushed.

Mr. Dawson mentioned another pending issue - eliminating personal property tax at the State level, which was being pushed heavily by the

Legislature. That would have a significant impact for all taxing authorities throughout the State, but very much so for TIFs and LDFAs. The concern was replacement revenue, which they had not determined, but it would cause a loss of \$130-150,000.00 per year in personal property tax revenue if not replaced. He noted that the Michigan Township Association felt that it was very likely that it would start to go away in the next 12-18 months. He added that some communities relied up to 50% on that revenue, so it would have a significant impact on many of them.

DISCUSSION

2010-0462 M-59 Corridor Study Update; James Breuckman, Manager of Planning

Mr. Anzek advised that Mr. Breuckman had joined the City as Manager of Planning. He was formerly with McKenna Associates, the consultant for the Study.

Mr. Breuckman stated that they would be reviewing chapters six and seven in the M-59 Corridor Plan, which were the Infrastructure Improvement Plan and the Implementation Plan. Those chapters looked at the infrastructure needs to support the proposed Development Plan. Some of the improvements identified would not be necessary until some time down the road, as development occurred. Several of the implementation actions identified could be proactive, to try to attract development. They did not identify commitments that bound the LDFA to any kind of action, but rather, they were a set of options and actions they could take to quickly capitalize. They had done the planning work to support the implementation actions so that in the future, should they have a situation arise where they wanted to do a project, they would have already planned for it. They identified utilities, underground capacity issues, and image or livability issues, to improve the attractiveness of the district for new businesses. He introduced Cheryl Gregory of Spalding DeDecker, the firm that did the infrastructure analysis. He and Ms. Gregory then developed chapter seven together.

Ms. Gregory pointed out three areas they focused on: Roadways, the sanitary system and the water main system. She worked with Mr. Paul Davis, City Engineer, to get the City's GIS data evaluated. They looked at the capacity of the existing system and what would be needed at full build out for what the Master Plan recommended. There were 21 implementation recommendations, but there were many variables in the demands that could occur.

Ms. Gregory said that they had identified three types of roads, based on their utility. If there was high volume or heavy commercial, it would be a Type A road. A Type B road would have some commercial, and be more interconnective for the corporate office centers. A Type C road was for access in and around a corporate center. The City had Ordinances in place for what type of road they wished to construct, and even though there was a lot of variability in development, they could allow a variety of different kinds of road sections. It was important that it remained uniform for the long term maintenance and management of pavement asset. They could not have 20 or 30 different road sections; it would be impossible for DPS to try to maintain it. They showed what the pavement section should look like, width-wise, depth-wise, and what the cross section should look like, which was based on the City's Ordinance. They recommended filling in a couple of connectors, and there were small and large sections to be done. She pointed out the connector roads (map on file). Ms. Gregory explained that there were different utilities for each connector, depending on the density of the proposed surrounding development. She asked if there were any questions about why the particular road segments were selected.

Mr. Damone said that he was familiar with one of the connectors, and he stated that it was a physical impossibility to connect Waterview and Research Drive. Mr. Anzek asked if he meant because there was a building in the way, which Mr. Damone confirmed, and he added that there was a terrific grade change. Mr. Damone asked how critical the Plan could be if they had not looked at physical limitations.

Mr. Anzek responded that those things could be accomplished and overcome through engineering. It was not perhaps a top priority, but the one thing they heard, through the interview process with stakeholders, was that they really wanted connectivity between the industrial parks. Mr. Damone said that he did not mean to disagree, and they could do anything with enough money, but he did not feel that those things were feasible from an economic standpoint. Mr. Anzek asked if an opportunity presented itself in the future, and he reminded that it was considered a 20-year horizon plan, why they could not have something planned that could possibly happen. Mr. Damone said that he did not disagree with that. Mr. Anzek said that the point was well taken, and they knew about it when they went through the study. The cost for that segment would be very high. Mr. Damone stated that they would have to buy two buildings. Mr. Anzek said they looked into that when the connection for Technology to Adams was being done, because they were not getting Federal Highway Administration approval for the curb cut. They started looking

for a way to cut through from Technology to Leach Rd. to complete the link, and the possibility of buying a building was in front of them then.

Mr. Breuckman indicated that some of the connectors would absolutely not happen until redevelopment happened on the private sector side first. They understood that it was not high on the list of things they would proactively pursue, but if someone came in with a plan and wanted to work somewhere along the Leach-Technology corridor, at least they had a plan to back it up, and they could start to think about a road connection.

Ms. Golden said that another reason to include something in a plan, even though it might seem unrealistic, was because of outside funding. If it was not in the plan and they had to add it later, unlikely as it might be, it would be difficult because it was not considered initially. Mr. Breuckman added that they were not exact locations, and they could move as opportunities arose.

Ms. Gregory said that the plan talked about access management improvement opportunities and the need, especially, on the western segment of Auburn. Since it was a State trunk line, any improvements would have to go through MDOT's permit process. MDOT was extremely friendly when it came to access management. They would do whatever they could to implement it, and any improvements for even a small amount of growth to the east of Adams would help the traffic. A lot of it was just delineating driveways and part of that problem was that parking would be impacted. A number of the businesses relied on the right-of-way for parking spaces, so the recommendations could not happen without the business or property owners' cooperation. The best time to look for opportunities for access management improvement would be during the sale of a property. She felt that it was important that the philosophy of asset management be a part of the plan.

Ms. Gregory next discussed non-motorized pathway system improvements. The typical road sections recommended during road reconstruction included a sidewalk or non-motorized trail, depending on the right-of-way available. Should there be limitations on the right-of-way, there were options in creating an on-street bike path, if necessary. She was not sure it was a high priority for business areas. Ms. Gregory talked about road maintenance estimates and cost per land mile. It included 2011 dollars that had to be adjusted for inflation based on the forecast for the plan.

Ms. Gregory had listed the private utilities, knowing who already had

facilities within the boundaries. Some owners were not completely open with all of the information, and it was done on a site-by-site basis if a facility owner offered to provide input. The City and the County had Ordinances for storm water requirements that would apply to any development. The sanitary sewer system was a gravity system, and they looked at the current capacity of the system and what would be needed for full build out. There were a series of improvements recommended. They could vary depending on the order of a development, but for 100% build out, ultimately, what they believed had to happen was a large diversion route that would need to be constructed. In discussing it with Mr. Davis, and looking at the available capacities, it appeared there was about a 5.6 cubic feet per second additional peak daily flow capacity, which meant about 40-50 acres of development at full capacity, or a 2-3 story development. There was room to absorb some demand. Ultimately, the recommendation for full build out was to construct a diversion from the Grant Pump Station over to the east to create more capacity. There were individual internal network improvements noted to upsize the pipes.

The water main was based on the assumption that the Detroit Water and Sewer Department would sustain the current level of service to the City. The water main supply was a little finicky when they were trying to estimate it as a pressurized system. They had to look at what was going on downstream and upstream. The sanitary was a gravity system that was a little easier to manipulate, but the pressurized water main system was a little trickier. That was why the recommendation suggested that the City regularly monitor the capacity and the service within the network, which Ms. Gregory believed was being done.

Mr. Damone said that when they monitored the pressure of some of the daily use, they had to consider the fire protection element. Ms. Gregory agreed it was based on that, because it legally had to be maintained.

Ms. Gregory summarized that there were 21 recommended sanitary, water main and road improvements in the Implementation Chapter, and a number of streetscape recommendations to improve the visual quality. The most expensive was the diversion of the sanitary system from the Clinton-Oakland Tributary over to the Gibson-Avon Tributary.

Mr. Ellis asked the total cost for the implementation projects. Mr. Breuckman said that was not calculated because they were not expecting all the projects to be done. They did not want to mislead or create the expectation that all the projects were expected to be completed.

Mr. Anzek said it was important that, as they moved forward and understood more of how the area would change, they would continue to work with the LDFA to prioritize projects and determine what the LDFA and Staff would like to see done. They should determine what might be done in response to development or what might be done to incentivize development. The 30-some projects shown were to clearly enhance, serve and expand the area. In the 1996 Master Plan, there were a total of seven projects identified, including work on Hamlin, the M-59/Adams interchange, relocated Adams, Technology Dr. extension, Leach Rd. paving, Waterview Dr. and the Industrial Dr. extension. A lot had been done, and some had been put on hold. They needed to identify the next generation of projects to serve the area, and that was what the whole planning effort was about. He said that they were just starting to discuss things, and they would continue with that. Ms. Valentik would be briefing on companies coming to town and companies planning to expand. Mr. Anzek commented that they were forecasting for 20 years out, and they really did not know what would happen, but they wanted to be ready and to create a basis to allow them to do flexible buildings. A lot of the identified projects were image, support and incentive strategies they might need. When they identified projects, they were put in the Capital Improvement Plan (CIP) and the budget was prioritized. The LDFA would run until 2026, and it could be extended, but they did not know if LDFAs would even be in existence in 2026.

Mr. Winnie said that in essence, the plan was a guideline, and the recommendations were fluid. As they got closer to a project, certain priorities would change, and the Plan could be amended. Mr. Anzek said that at a point in time, based on information gathered from stakeholders, there could be issues with image and disconnect between the industrial parks, and that drove the Plan. They wanted to be flexible and able to adapt. Mr. Winnie said that the items in the CIP were fluid also, and priorities changed on an annual basis. Mr. Anzek agreed, and said that they went through it every year with certain projects. They were submitting new projects, but also eliminating ones that were no longer necessary.

Ms. Gregory mentioned that it was good to have a Plan and to demonstrate that they had done a planning exercise and identified a variety of economic development funding resources available. They would have a lot of opportunity for Federal resources.

Ms. Valentik asked if there were certain projects that would be done before another because of where they were on the map.

Mr. Anzek said that once the Plan was adopted, the projects would get put in the CIP with a best estimate as to when they might get built. The CIP also organized what would happen concurrently with the economies of scale. Mr. Winnie said they were looking 20 years in the future, and he had always said that was almost impossible, because things could change dramatically in five years. The recession they were currently in was a good example in terms of revenues, taxes and evaluations of properties.

Ms. Golden noted that the LDFA Plan ended in 2026, but she did not recall ever seeing a copy of it. With the new Study and changes in the CIP, she asked if there were any proposals for an amendment on the horizon. Mr. Anzek said it was kind of what they were doing with the second phase of the M-59 Corridor Study. That was becoming the update to the LDFA Plan because it refreshed the list of projects. He agreed with Mr. Winnie about how things could change in the future. To Ms. Golden's question of whether the LDFA Plan was available in .pdf format, he thought it might not be necessary to view, because it was so concentrated on Adams Road, and that was already done. Ms. Golden reminded that they had a legal obligation as a Board to adhere to the LDFA Plan, and if there was a proposed amendment after the new Study was considered, it would be helpful for the Board to have. Mr. Anzek advised that if a new project arose, Staff had to come to the LDFA for approval of an amendment to the Plan.

Mr. Davis agreed that it was good to plan for things, but he indicated that the M-59 Corridor Plan had a lot of assumptions and variables. He mentioned the Suburban Softball site and said that if it were to come alive, then for him, all of a sudden the sanitary sewer would become a primary component. When it was purchased by REI, there was not much sanitary sewer left. A project like diverting the Grant Street Pump station all of a sudden would become more viable. It would be expensive, but unless something dramatic like medical mainstreet came along, it probably would not go. They were looking at things from a worst case scenario for a very dense development, but a lot of places in the City did not get the dense development. Sometimes the variables were within the City's control, and they could drive it by zoning or installing infrastructure to make it more economically viable. He never would have thought that the REI site would move from a landfill and become an economical plan, but it was serious for a time. He would not assume that based on how a funding situation was today that something could not change, and projects that seemed unlikely all of a sudden could become reasonable.

Mr. Breuckman had summarized the next steps, and he stated that the Plan was substantially drafted. He was not sure what action the LDFA needed to take, but in the future, the Planning Commission would adopt it into the Master Land Use Plan. The Master Plan was looked at every five years, and in 2012, they would look at it again and adopt the land use elements of the M-59 Corridor Study. Staff would also develop a Zoning Ordinance amendment for the district.

Mr. Ellis asked what else the LDFA would have to do with the Plan before that happened, and if they would they have to vote to approve it. Mr. Anzek said they would definitely want the LDFA to approve it. The work to complete the Study was funded by the LDFA, and it was a guide for future expenses. Mr. Ellis asked at what meeting it would be addressed, noting that they would not meet again until January. Mr. Anzek said that he would like a meeting in December, because in January there was a call for projects for the CIP. If the LDFA adopted the Plan, it would be a framework for moving forward. Mr. Ellis asked if they would receive more documentation prior to December as to what was going on. Mr. Breuckman advised that the Plan, unless edits were requested, at this point was complete. Mr. Ellis clarified that Staff was looking for input before the December meeting. Mr. Anzek agreed. The Board could send an email or call Staff if they had something. They would like to have a Resolution passed in December or early January for the M-59 Corridor Study and the update to the Infrastructure Plan. Mr. Damone clarified that there would still be flexibility to adjust it along the way, and they would not be committed to anything in terms of funding. Mr. Anzek said that was correct; Staff could not spend money without the Board's approval. They would only add projects that were supported by the LDFA, and they would have to look at the revenues and timing over the next years.

Mr. Winnie stated that any plan in the process could be amended at any time. New demands could crop up, or the political environment could change, so even if the Plan were adopted, it could be amended. Mr. Ellis said that as he looked at the Plan, it appeared that most of what was in it was contingent upon outside sources of funding beyond the LDFA. He asked if that was right. Mr. Breuckman agreed, and said it was contingent upon some kind of partnership, whether it was government funding or private development. Mr. Anzek said it was not too dissimilar to the CIP. There were \$300 million worth of projects in the CIP and annually they actually did \$4-8 million. They were put in the CIP to get them on the radar screen. Mr. Ellis commented that it was fluid for flashpoints where development might occur. Mr. Anzek said that if someone came to the City and wanted to buy a 30-acre parcel, Staff would probably come to the

LDFA and ask to advance water and sewer as an incentive because of the payback of building the tax base and creating jobs, which was the charge of the LDFA.

Ms. Golden asked if the Board had any Public Hearing requirements for adopting or if that was done at the Planning Commission level. Mr. Anzek did not think that the LDFA was required to hold a Public Hearing. Ms. Golden suggested that perhaps there could be mention of that in their Resolution. Mr. Winnie said that in essence, the LDFA was an advisory Board, and the Planning Commission took action based on their advice. Ms. Golden said that further to being an advisory Board, they were responsible for the budget, and Council waited for their approval. Mr. Anzek explained that the LDFA was an independent authority, comprised of a lot of different representatives from the taxing jurisdictions. Ms. Golden thought it made sense that the Planning Commission held the Public Hearing, but the LDFA Board wanted to be able to say that they sought public input. Mr. Breuckman advised that with the Master Land Use Plan, which set the stage for the M-59 Corridor Study, there was extensive public input. They were now diving into the framework established through public input. There would be Public Hearings when the Master Plan was updated next year. Mr. Anzek added that the REC area was a lot larger than the LDFA capture area, but the LDFA had a great amount of influence over the area. The capture monies came from three distinct districts, and the money could be spent outside the district if it supported activities within the district; for example, a nearby bridge or something that would enhance the capture zone.

Ms. Golden said that she was very pleased that the Study and the work were done, and she thanked Staff and the consultants. Mr. Anzek said that Chairperson Slavik and he had met quite a bit about how they should step up and do the next update. Chairperson Slavik had expressed concerns that they were starting to get to a point where they needed some guidance. There were some examples in the Plan of what they could do for aesthetics in the area and other things along those lines.

Mr. Anzek asked the Board to carefully review the Plan. They had met with various property and business owners in the area and sought input from people who worked in the region. They had visual imaging exercises at the OU INCubator, where they defined what they thought would be an appropriate look for the area. Mr. Breuckman added that the list of implementation projects showed more streetscape and sidewalk projects than anything else, because they heard that was why companies came to Rochester Hills versus elsewhere in the region. It was kind of on

the periphery of the economic makeup of the region. People liked the quality of life, the trails, and getting people from those elements of Rochester Hills throughout the areas was one of the important things they heard from them. Streetscapes and sidewalks made a big difference to people coming to a place for the first time. As they moved away from manufacturing to more hybrid office-type uses, those would be important things going forward. Chairperson Slavik commented that the Study was a great start and very informative.

Discussed

ANY OTHER BUSINESS

Mr. Damone referred to the list of active projects, and said they had a lot of discussion about Magna during the past year. They were not on the list, and he asked if they were gone.

Mr. Anzek said that Magna had been an interesting story. A year ago, the City was meeting with them daily, trying to do bond issues to support them in putting up a building on the City's property on Hamlin. The City did everything they could, from reactivating the Economic Development Corporation to talking with the LDFA about the possibility of water and sewer enhancements. He thought that Magna was having a hard time making a decision, and they passed the deadline to do the bonds. The project came and went, although they were still very interested in the site. In March, they sent the City a list of 10 questions regarding the site, which he and the Mayor answered. Magna came back finally and said they were ready to move, and that they were looking at four different sites. They asked the owners of those properties to give their best price. The City put a package together and worked with City Council. They were told four weeks later that they were one of two sites remaining on the list, but Magna was still having difficulty coming up with the numbers to make it work for them. They used to have an internal development wing, called MID, and they owned close to 50 million square feet of buildings around the world. They spun MID off in 2003 as a stand-alone, publicly traded company, and they were going to build the building. A week ago, the City heard that Magna might put things on hold for a year.

Mr. Damone questioned whether they should keep some funds available for Magna. Mr. Anzek said it might be one of those things where Staff would have to come back to the LDFA and ask. He could not disclose the City's price for the land, but it would involve some offsite improvements. Ms. Boyd asked if Auburn Hills was being considered by Magna, but Mr.

Anzek was not able to disclose that at this time.

NEXT MEETING DATE

The group discussed that there might be a Special Meeting in December. Chairperson Slavik announced that the next Regular Meeting was scheduled for January 12, 2012.

Mr. Ellis noted that they always had an April meeting the same week the schools were on vacation, and he asked if it could be moved back a week, because he would always be out of town the first week. Mr. Anzek did not believe that would be a problem, and said that Staff would put together a list of proposed meetings for the LDFA to approve.

ADJOURNMENT

Hearing no further business to come before the LDFA Board, and upon motion by Winnie, seconded by Golden, Chairperson Slavik adjourned the Regular Meeting at 8:34 a.m.

Respectfully Submitted,

Stephan Slavik, Chairperson
Rochester Hills
Local Development Finance Authority

Maureen Gentry, Recording Secretary