1000 Rochester Hills Dr.
Rochester Hills, MI
48309
(248) 656-4600
Home Page:
www.rochesterhills.org

Rochester Hills

Minutes

Local Development Finance Authority

Jennifer Berwick, Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Tammy Muczynski, William Mull, Theresa Mungioli, Kris Pawlowski, Cassie Patterson, Stephan Slavik, Owen Winnie

Thursday, January 13, 2011 **7:30 AM** **Conference Room 221**

CALL TO ORDER

Chairperson Stephan Slavik called the Regular Meeting to order at 7:35 a.m. in Conference Room 221.

ROLL CALL

Present 7 - Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Stephan Slavik, Kris Pawlowski and William Mull

Absent 5 - Theresa Mungioli, Owen Winnie, Tammy Muczynski, Cassie Patterson and Jennifer Berwick

Quorum Present.

Also Present: Ed Anzek, Director of Planning and Economic Development
Dan Casey, Manager of Economic Development
Kurt Dawson, Director of Assessing and Treasury
Keith Sawdon, Director of Fiscal
Paul Shumejko, Traffic Engineer

APPROVAL OF MINUTES

2011-0007 October 7, 2010 Regular Meeting

A motion was made by Damone, seconded by Brantley, that this matter be Approved as Presented. The motion CARRIED by the following vote:

Aye 7 - Brantley, Damone, Ellis, Golden, Slavik, Pawlowski and Mull

Absent 5 - Mungioli, Winnie, Muczynski, Patterson and Berwick

COMMUNICATIONS

A) Letter from Paul Davis, dated January 5, 2011 regarding Technology Drive Extension
B) Clean Energy Research Center Notice - Oakland University School of Engineering and Computer Science

NEW BUSINESS

Mr. Casey announced to the Board that it would be his last LDFA meeting. He accepted a position to run the Economic Development Alliance of St. Clair County organization beginning January 31st. He thanked the Board members for their time, commitment and participation in all the activities undertaken over the past seven years.

2008-0161 OU INCubator focus on Clean Energy (Dr. David A. Spencer, Executive Director, OU INCubator, Oakland University)

Present for the discussion was Dr. David Spencer, Executive Director of the OU INCubator at Oakland University, Grant Trigger of Real Estate Interests of Bloomfield Hills and Mr. James Lidell, Energy Manager for Oakland University. Dr. Spencer recalled that the University, in partnership with the LDFA, opened a mixed-use INCubator in 2004. There was not a primary industry sector focus over the years, but they were now moving in a new direction with two areas of focus - clean and alternative energy and medical and health science technology. They would be working with the Beaumont Commercialization Center and the Beaumont Research Institute on a new medical school and a new health sciences building. He advised that the INCubator would be launching a new project with the OU School of Engineering and Computer Science to form a clean energy research center at the 20,000 s.f. Shotwell Gustafson Pavilion next to the INCubator. They hoped to bring applied research, and want to work with Rochester Hills to put in demonstration projects there. They were pursuing grants, and they would use the Pavilion for lab research and development of clean energy projects. He stressed that it would not be in competition with Next Energy or Automation Alley. It would be another effort in the region to develop a cluster of activity and be a destination location. They would also focus on investment capital. They currently hosted an investment review board meeting every month - where companies came and made a pitch for capital. They had banks, venture capital and angel investors involved.

Mr. Lidell noted that he worked in facilities and had a background in mechanical engineering. He was interested in renewable and clean energy, and for several years had investigated facilities projects for renewables. He talked about having a new heating system for the campus involving wood chips and using creative financing. He advised that there were some federal funds to start the clean energy center, and the concept for the INCubator would be to do biomass research. They *wanted to gain momentum to create a sandbox of activity. They wanted to bring in the local communities, businesses and funding sources.*

Dr. Spencer stated that the Advisory Board would be a "community of practice." People had an interest in clean and alternate energy and wanted to participate in the advancements. The INCubator did not have room for 50 companies. When companies contacted them, it was their responsibility to contact Rochester Hills to find a building. They needed to transition the company's inquiry into an opportunity to place the company locally. If it was a company already here, they needed to be in a position to help that company expand. Their job was to create and retain jobs and be a destination for clean and alternative energy, medical innovations and investment capital. He commented that Rochester Hills was a great destination location - well thought of, well governed and business-friendly.

Mr. Anzek agreed that what the University was doing very much fit in with the City's Economic Development strategy. He thought it was good that the INCubator was becoming focused and not spread too thin.

Mr. Casey said that he saw some opportunities to bring private industry in to do education sessions or look for joint research projects. He felt that Rochester Hills was basically an R&D based community. The City had been successful in attracting alternative energy companies on the automotive side, and there were others that could see the advantage of participating with the OU INCubator team. He had heard facility managers talking about ways to save money who asked about wind turbines or bio mass. He thought that if the INCubator put together some educational sessions a couple of times a year that they could recruit companies from the region to participate. He met with Ovonic Hydrogen Systems recently, which was going through a transition. There were some people using a portion of their building, but some employees of UniSolar (a division) were moving to Auburn Hills. Ovonic wanted to know what they could do to backfill some of the space they could not use. They also offered the availability of some labs. They wanted to do month-to-month deals. It was flex space, and cubes could be built into offices or there could be labs. He felt that would be a natural fit because they were already doing clean energy.

Dr. Spencer said that the City had done a great job of going after new grants. There was a certification program in energy management offered at OU. They could offer a program for the local community. The Department of Energy grant would give the opportunity to set up courses *in alternative energy. Mr. Lidell said they were trying to create an industrial assessment center at OU, which would be a quasi, self-supporting consulting firm, using students, grad students and other experts. They could send students out to do energy audits and feasibility studies for buildings in RH.*

Mr. Casey asked Mr. Trigger for an update about Madison Park - the former Suburban Softball site. Mr. Trigger said that they joined Dr. Russi and went to Israel last summer to explore various technologies being developed there. They continued to collaborate in developing different types of technologies and programs that would fit nicely with the County's focus on Medical Main Street for that site. He could not discuss the specifics, but they were exploring issues that went directly to the alternative energy concepts, including a program that would take solar and wind through a system that stored and distributed the energy in a mobile output. They would participate in an advisory capacity for the INCubator.

Dr. Spencer asked for recommendations for people who could contribute to the advisory group. If there was anyone who wanted to sit in, he welcomed them to join.

2011-0008 Request for approval of the 2011 LDFA Budget

Mr. Casey stated that at the beginning of the year, the LDFA and SmartZone budgets were approved by Council. The LDFA Budget showed revenue of $674,400. It was tax capture that was available for expenditure in this year's budget. The projected expenditures were exactly the same amount, because it was their intention to transfer about $358,000 of revenue into the fund balance. Actual expenditures were the difference between $674,000 and $358,000. He advised that they were not doing any projects this year. They were funding the ongoing projects they did every year, such as the entranceway grant program, legal and misc., and services and printing. There was $200,000 in the road rehabilitation program, which he felt had been a very effective program for the LDFA and the City. It was the LDFA's version of the Concrete Slab Replacement Program. In the last two years, they had virtually redone Technology Drive with that money.

Mr. Shumejko stated that they were in the process of doing an inventory for this year's program. Preliminarily, it appeared that they might focus on TAN Industrial Park and Enterprise Drive. Those would probably be done *this year. Mr. Casey said that the Board would probably want to focus on Bond Street and the asphalt streets in the TAN Industrial Park. He claimed that the back side of the park was a nightmare, and that the City could not have that. The image of the parks had to be maintained or they would see degradation, and people would not spend as much to maintain their buildings or landscaping. The roads were the starting point. TAN was scheduled to be done in 2014 in the CIP, and he felt it made sense to spend money there. The LDFA was currently sitting on an estimated $1.6 million in fund balance. They would begin 2012 at about $1.84 million in fund balance. They were saving the money because they had projects coming up in the future. Research Drive was projected to be reconstructed in 2013 and they were saving for that. The M-59 Corridor Study was still ongoing, and they were anticipating new projects out of that study.*

Mr. Anzek said that they should have an update at the next meeting about the M-59 Corridor Study. He stated that they needed to finish the study before they could get into the infrastructure update. The whole purpose was to decide where they could get the best bang for the buck for improvements to keep and attract business.

Mr. Casey indicated that assessments were continuing to decline - it was 8% for the City and 13% for commercial and industrial. That would relate to future revenues, and the projected estimates in the LDFA budget under revenue dropped to $125,500 in 2012. In 2013, revenue would jump higher because they would use some of the fund balance to do Research Drive. Mr. Dawson said that for the 2011 assessment year, which was the 2012 budget year, there would be less of a reduction than anticipated. There was a 12% reduction overall for the City's revenue for the 2011 assessment year. In a few years, it would start to level and then go back up, as things were improving.

Mr. Sawdon added that they were estimating 2012 with $1.6 million carried over to end 2012 with $1.8 million. They would refine the numbers in June or July when they adopted the budget.

A motion was made by Golden, seconded by Ellis, that this matter be Approved. The motion CARRIED by the following vote:

Aye 7 - Brantley, Damone, Ellis, Golden, Slavik, Pawlowski and Mull

Absent 5 - Mungioli, Winnie, Muczynski, Patterson and Berwick

2011-0009 Request for approval of the 2011 SmartZone Budget

Mr. Casey stated that the baseline for the SmartZone Plan was ten years later than the LDFA. As assessments declined, there was much more of an impact. There was no new revenue for next year, and assessments dropped below baseline values. No funds were going into the INCubator, and all the burden was on OU. They could expand the capture area, but there would be no immediate benefit. The schools were impacted and the real impact was on the State. It would require a Plan amendment, and the MEDC would have to approve the amendment. OU was obligated to generate more revenues, and they were looking for grants to help the INCubator. Mr. Ellis asked if the State would accept the expansion.

Mr. Casey said he would need a legal opinion; they would be increasing the capture area, not the boundaries of the district. He suspected that the State would insist on reviewing and approving the Plan. He mentioned that he and Mr. Anzek and Dr. Spencer were in Lansing the week before for the State's quarterly SmartZone meeting. They were projecting to spend some funding on the INCubators and accelerators around the State. The State clearly told them that they would only give grant money to those INCubators that were aggressive, that had a track record, that were doing good things with the money and that had the commitment of the community and region. It was very important for the City and University to continue working together and to find ways to in bring businesses and other partners, such as Automation Alley. They had to have a plan to support the region and the City. If they could do that, they might have a better chance of getting access to some of the grant money. Dr. Spencer agreed, and said that Mr. Finney, the new head of the MEDC, was receptive to providing support to aggressive SmartZones that continued to demonstrate an active involvement in the community. OU was now supporting the INCubator, which was interested in finding ways to work with the City, County and State to bring support to the community and bring jobs.

Mr. Slavik asked how much collaboration the City had with Auburn Hills and was told none. Mr. Anzek said that Mr. Ellis had asked about the political climate and the State budget issues and what they might be up against. Mr. Anzek said that even the MEDC folks were concerned about money - they were sitting on pins and needles. Mr. Finney had mentioned sharing SmartZone capture money among other SmartZones. Some of the more successful ones could help others that were not getting the results.

Mr. Casey noted that another important factor was tax appeals. In the past two years, there were a record number of appeals. The City's *strategy had been to use the estimated worst case scenario, or the potential liability if they were to lose all of the cases, and take the money out of the capture amount and set it aside until the cases were settled. As they settled, the remaining revenue could be distributed to the INCubator. The problem was that some cases might take years to settle. The City had been very aggressive in trying to get settlements in place. Mr. Dawson said that two large appeals had been going on since 2004. It was a huge liability and a significant amount of money, even though the companies had never supported that value. The big downside was that the SmartZone was new in its capture and when they captured, it was the "cream" and when the properties dropped 15%, all that money came out of the LDFA and SmartZone. The LDFA had been around so long, it was not as huge an impact. When they set next year's values for 2011/12, it would be below the baseline and there would be no capture. That was why the City had withheld the revenues from the 2011 budget. The City's policy was that anything they knew they had was forwarded to the SmartZone, but they did not want to give the money away and run out and have to take money out of the General Fund. Mr. Casey said that the Mayor was very specific - he was supportive of the INCubator, but did not want to take General Fund money or other money to balance a SmartZone tax appeal because there was no revenue in fund balance to draw. When the tax appeals were settled, there would be money to distribute to the University.*

Mr. Dawson referred to expanding the capture area, and said that every year in the third quarter they would have a handle on the following year and a better projection. They had to decide the best time to expand the capture area. It would happen towards the last quarter of the year. He said it was fortunate that the LDFA and SmartZone did not have a lot of debt, but it would get more critical for both LDFAs and SmartZones around the State. Mr. Anzek said that LDFAs that bonded were having a tough time paying the debt service. It was good that the City's LDFA did not do bonding. Mr. Casey said that it was imperative to encourage new development within the district because it would all be new tax capture that could offset the losses through assessments. Mr. Anzek thought they still had an obligation to the OU INCubator because they entered into a partnership in 2004. The City had been paying about 40% and was now paying nothing. They would continue to look for creative ways to find money. Mr. Dawson said it would be tough to get money from the State. It was already in a deficit, and it was not putting money aside for tax tribunals. The schools were impacted most heavily. He had heard of one tax appeal in Southfield where the payback was over $2 million in taxes. The State would be hit with many more. Mr. Ellis felt that part of the *problem was that some communities were overly inflated on assessments and others were not. Southfield was severely over assessed in a lot of sectors.*

Ms. Golden said that if there was anything the LDFA Board could do to support - if the State was considering something that would be detrimental to their situation - they should let them know. The key to the solution, and the irony of it, was creating jobs. Mr. Casey said they had an LDFA Plan and budget and a SmartZone Plan and budget. They were not precluded from using LDFA capture to fund the SmartZone. They did not have any projects currently in the LDFA Plan to do that, but in the future, if the Board and the City were willing to help the University stay on its feet, they could take dollars out annually from the LDFA budget to supplement the SmartZone capture. Mr. Dawson said that when it started out, the University was spending the majority and the SmartZone started to grow. The University funded most of it early on, but the City's part shrank.

Mr. Ellis saw that as a straight trade-off. He asked if there was a way to do it so that if things started to improve, they could recapture what they provided. Mr. Anzek agreed. Mr. Casey said they had to remember that the LDFA's capture was also declining, and it did not have as much annual revenue to fund projects. There were other road projects in the future, such as Rochester Industrial Dr. and the Tan Industrial Park. They would have to weigh those opportunities and determine which would have the greatest net impact. Mr. Dawson said that the LDFA governed both boards, and if it wanted to give the SmartZone money, it would not have to be a loan and in five or ten years if they had excess, it could be funneled back.

Mr. Anzek said that there were a lot of programs being explored. Expanding the tax capture had to be done at the right time. If they did it now, they would lose money. They could perhaps borrow from the State's school fund with a pledge to pay it back over time. They could borrow from the LDFA and let the SmartZone pay the LDFA back. There could be a return on investment - if they started rolling in clean energy companies, it would be worth it to the LDFA to help offset some of the SmartZone's expenses. Mr. Ellis said that the Board should follow Staff's lead. He asked how much the City was providing the SmartZone before the decline. Mr. Casey pointed out that in 2009, it had risen to $453,000 and in the 2010 budget, they began to see the decline and it went to $419,000. Mr. Dawson added that the SmartZone did not get any of that money in 2010 - it was held back. At the end of the year, they might have that money. Mr. Sawdon cautioned that it was expensed, and it was not *available for fund balance. It was held in Tribunals Payable until they knew the outcome.*

A motion was made by Golden, seconded by Damone, that this matter be Approved. The motion CARRIED by the following vote:

Aye 7 - Brantley, Damone, Ellis, Golden, Slavik, Pawlowski and Mull

Absent 5 - Mungioli, Winnie, Muczynski, Patterson and Berwick

2011-0010 Final 2010 SmartZone Report

Mr. Casey noted that the SmartZone report results had to be filed twice a year with the State, and that it did not include the INCubator component. The report listed the total new and retained companies; projected new jobs; retained jobs; personal property investment; commercial and residential construction; and projected total investment. He shared the summary for 2010, which he stated was a great year. He had been with the City seven years, and they exceeded the totals from all years except for retained companies and jobs. He claimed that last year was the best year for attracting companies and jobs. The report only showed personal property investment for the LDFA district. He noted that for next year, very few leases were expiring. He mentioned that Mr. Pawlowski had been involved in bringing many of the companies to town. Mr. Casey said that the City lost a few companies, including Volkswagen, a large company, but they had a high quality building, which should be marketable. Mr. Ellis asked the net gain in jobs, and Mr. Casey said about 1,000. He emphasized that the companies in RH were doing very well.

Mr. Anzek said that Staff was hearing good things from the companies. Mr. Ellis said that he sensed the same thing, but cautioned that it had to be sustainable.

2011-0014 Crooks Road TEDF Application Update

The City was pursuing a road grant called the Transportation Economic Development Fund Grant through MDOT. It was for projects that had an economic development component. There was a stretch of Crooks not being expanded because there were no funds at any level to do it, so the road project for the bridge would only go to Star Batt. The grant would provide a combination of Federal, State, County and City funds to expand *the road to five lanes to Hamlin. The companies being considered in the grant were KOSTAL, which was moving into the old Tower Automotive building, and Vehma, a division of Magna. The KOSTAL project would be enough to meet the State's requirements. There would be a local match requirement by the County and the City, and it could be funded by tri-party funds or LDFA funds. The Federal and State would pay for 80%, and the City would only have to pay for the engineering and potentially one right-of-way piece. The application had been submitted, and MDOT was likely to fund the project.*

Regarding the former softball site, Mr. Slavik noted that there were some preliminary engineering studies done for Hamlin Rd., and he asked how far away they were from the piece being developable. Mr. Anzek said it could be significant. They had to mitigate the landfill activities, and it could not be done piecemeal. It would be very expensive, and they were pursuing grants. It would take two to three years to test and monitor the dirt. They had to determine if they could build on pilings or if they had to remove dirt. Mr. Slavik asked if that pending project would have an impact on procuring funds for Hamlin, and Mr. Anzek said it would not. MDOT did not fund projects unless the City had jobs in hand, which it did.

Mr. Casey said it was good news, because at the last meeting, they did not know if the City would be eligible. Mr. Shumejko thought the funding would be released in 2012. If it were approved, design would begin this year. He added that the Crooks Road interchange had been awarded to Dan's Excavating. He clarified that it would be a partial cloverleaf design, which should improve flow capacity. They would build the east half of the new bridge then flip the traffic to the other side. There would be two lanes maintained at all times, and one ramp might be closed at a time for three weeks.

UNFINISHED BUSINESS

2008-0356 Proposed Hamlin Rd. Project Update

Mr. Casey reported that the Hamlin Rd. project was still moving ahead, and they would be meeting in a few weeks to negotiate the land price. A division of Magna planned to construct a new building. At one point, they were going to fund the project with EDC Recovery Zone Bonds, but now the company would fund it internally. It would be a 160-180,000 square-foot corporate headquarters. It would be a proto-type development and run small production, with about 280 jobs. They would *create 50 in the region. It would be all new revenue for the LDFA and SmartZone Plans, and the total project cost was $16 million. The City was going to sell them the entire 16 acres, but they now only needed 11-12 acres. That would leave land for other development in the future to maximize the value and return for the City. They could generate another 40-60,000 square feet of development space.*

ANY OTHER BUSINESS

Mr. Casey recalled that at the October 2010 meeting, an update was given about the branding project and a picture of the nearly finalized logo was shown. He pointed out the final logo with the tag line Innovative by Nature, that he put up for the Board. Very little had changed; the edges of the logo did not have straight lines or hard edges, which was modified. The project continued to move ahead and was in the implementation stage. Many of the deliverables were nearly completed; the only piece they had not made substantial progress with was the brochure. That would take a while because they needed to get some summer photos. The City's templates were close to being finalized. The feedback from people had been very supportive, and everyone seemed to really like the tagline. The logo was subjective, of course, and it would be impossible to please everyone. Mr. Anzek suggested that it would grow on people. Mr. Casey said that part of the budget included printing costs, and they would print the new letterhead and business cards from that. Fewer business cards would be issued - they would be for departments mainly. They were looking at replacement signage - for about 28 places around the City. They would be developed in-house, and the main entranceway signs around the City would eventually be replaced and be budgeted over several years. Mr. Anzek said they would seek private money to do some of them.

Mr. Pawlowski asked if the legal documents would still use the City seal, which was confirmed. Ms. Golden said that she read the discussion from the Council meeting. She noted that the LDFA paid for the consultant and the process, and she felt it looked great. She wanted to confirm that the LDFA would not fund printing cost for Council members. Mr. Anzek said that was correct; the LDFA would not pay for any business cards. The cards for a department would come out of that department's budget. The LDFA would pay for things used for economic development. Ms. Golden said she just wanted to be able to reassure the public about the budget for the project. Mr. Anzek said that regarding economic *development, they could not market the City without marketing everything about it. The logo would be used City-wide, but it was still driven by economic development. Mr. Pawlowski agreed that it kept the City on the cutting edge for companies they were trying to attract. Mr. Anzek thanked him for participating on the branding committee. Mr. Casey indicated that about 100 people participated in the survey, including three members of the LDFA board.*

NEXT MEETING DATE

The Chair reminded the Board that the next LDFA meeting was scheduled for April 7, 2011.

ADJOURNMENT

Hearing no further business to come before the LDFA Board, the Chair adjourned the meeting at 9:14 a.m.

Respectfully Submitted,

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Stephan Slavik, Chairperson
Local Development Finance Authority
City of Rochester Hills

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Maureen Gentry, Recording Secretary