

**OSHTEMO CHARTER TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS**

MINUTES OF A MEETING HELD JULY 21, 2022

The Oshtemo Charter Township Downtown Development Authority (DDA) Board of Directors held a regular meeting at the Oshtemo Community Center, on Thursday, July 21, 2022. The meeting was called to order at approximately 12:03 p.m.

Members Present: Grant Taylor, Chair, Bill Cekola, Themis Corakis, Treasurer, Libby Heiny-Cogswell, Rich MacDonald, Dick Skalski, Ryan Wieber, and Ryan Winfield, Secretary.

Member absent: Stephen Dallas

Also present: Iris Lubbert, Planning Director, Ryan Russell, Prein & Newhof, Anna Horner, Director of Public Works and Martha Coash, Recording Secretary.

Guests present: Mr. Robert Redman and Mrs. Phyllis Lubbert.

Agenda

Chairperson Taylor asked if there were any corrections or additions to the agenda. Hearing none, he asked for a motion.

Mr. Corakis made a motion to approve the agenda as presented. Mr. Skalski seconded the motion. The motion carried unanimously.

Approval of Minutes: May 19, 2022

The Chair asked if there were additions or corrections to the Minutes of May 19, 2022.

Mr. Corakis noted he was referred to as “Secretary” throughout the minutes, which should be corrected to “Treasurer.” He also noted a correction to the third paragraph on page 3, where he referred to a low spot in the concrete at the fire hydrant, but which is actually near Harmon Glass. He also noted the Minutes of the meeting reflected that Ms. Lubbert was to coordinate a separate meeting to consider the issue of who should maintain the driveway at Ted & Marie’s.

Ms. Lubbert acknowledged she had not coordinated a meeting, but will do so.

Hearing no further corrections, the Chair asked for a motion.

Mr. Corakis made a motion to approve the Minutes of the Meeting of May 19, 2022 as corrected. Mr. Winfield seconded the motion. The motion carried unanimously.

Public Comment on Non-Agenda Items

There were no comments.

Treasurer's Report

May – June 2022 (audited)

Ms. Lubbert presented the May – June 2022 Treasurer's Report, explaining that \$371.56 was collected in interest this cycle. Total interest earned was \$1,332.81. She noted the income information has been audited; the actual carryover fund balance from 2021 is \$400,334 and has been updated and reflected in the report. Total property tax revenue collected is \$218,099.81. Expenditures from this cycle total \$225,486.39. The largest expenditure of \$195,055.59 was for the final construction phase of the sidewalk on the north side of Stadium. Other expenditures from this cycle included general operating expenditures, payments for the zoning amendment project, annual contribution to 'Music in the Park', and engineering design work for the stadium sidewalk project.

She noted new road millage funds were incorrectly collected and credited to the DDA. The DDA is not allowed to capture funds for new roads as they were not included in the original plan. Although the DDA will be allowed to keep the funds for 2022, such funds will not be credited to the DDA in the future. She will check with the Township Treasurer as to what the actual arrangement is for other new mileages.

Mr. Skalski made a motion to approve the Treasurer's Report for May - June, 2022 as presented. Mr. Cekola seconded the motion. The motion carried unanimously.

Façade Grant Application – Robert Redman

Ms. Lubbert explained Mr. Robert Redman submitted a Façade Grant Application to the DDA Board for consideration. The request was for \$5,000 to assist with the replacement of the roof, fascia, and gutters of the commercial building at 6672 Stadium Drive. The total estimated project cost is \$17,800. Staff reviewed the application and found it complete. The property and request meet the requirements of the DDA's façade grant program.

Members felt the application met the guidelines for the Façade Grant program.

Chairperson Taylor made a motion to approve grant the \$5,000 as requested. Mr. Corakis seconded the motion. The motion carried unanimously.

Mr. Redman thanked the group for their support and noted he is trying to improve a little stretch of Stadium Drive by renovating two additional houses. He hopes to be done by this fall.

Commissioners thanked him for his efforts.

Discussion of Potential Atlantic Avenue Extension Project

Ms. Lubbert reported, based on direction given during past DDA closed sessions, the property acquisition subcommittee negotiated and entered into a purchase agreement for the property located at 6227 Stadium Drive. The contract was provided in the meeting packet for reference and the record. Closing is to occur on or before December 21, 2022. The DDA has 180 days to conduct property inspection and other due diligence to determine if the DDA wishes to close. She asked the Board to discuss the potential project, financing, and to provide general direction. She noted the discussion would impact the DDA's budgeting for 2023.

Mr. MacDonald, on behalf of the property acquisition subcommittee, presented the latest updates regarding this potential project.

He acknowledged there will be a lot of unknowns when moving forward with the purchase, such as sources of funding, but the first step is to get the property under contract. He was directed to complete the contract and Chairperson Taylor to sign it. Improving public infrastructure is part of the Master Plan and the main reason for pursuing this project. Due diligence over the next 180 days will include engineering review and input, sourcing of funding and grants, review of title work combined with a survey, and an environmental study. These tasks will be worked on by the property acquisition subcommittee: Rich, Grant, Iris, Anna, and Libby.

They will need basic information to start planning: where the road exists, parcels that will be left over, what could become of value to recover some of the up-front costs. A closing will be scheduled, then the road will be improved, possible sales of property will come later. The Stadium south sidewalk project may be delayed in order to provide funding to help purchase the property.

The appraisal for the property was \$820,000; the purchase price is \$1,030,000, which did not surprise him. The real value of property is what a seller and buyer agree upon and this land is more valuable to the DDA than it might be to others.

If the DDA moves forward with the purchase, the next steps will be an environmental study and survey. The committee will start talking about what the remaining parcels could be and then their value, which will be critical to a financing

discussion. If the funding source recognizes a high value, they may see a lower potential risk.

Mr. MacDonald said part of the purchase agreement is for the occupant to stay at the property for two years from the date of closing, which gives the DDA an opportunity to build funds for two years. He noted TAP grants will not be available for some time.

Ms. Lubbert said the big picture steps are: 6/24 – sign contract; today – set draft budget for 2023 and review funding options. All other steps will be taken after due diligence is completed. The TAP grant application will be submitted in early spring of 2024. She noted the Road Commission is on board. The 2022 budget does not need to be amended at this time.

Mrs. Phyllis Lubbert said she hoped residents would be included in discussions.

Ms. Lubbert said there will be public meetings held for both DDA businesses and the general public.

Mr. Corakis expressed concern about the difference between the appraisal and the purchase price, stressing the need to be frugal and noting he had heard from people in the general public that they did not like money wasted, citing the cost of the corner lot work. The costs involved need to be looked at very closely.

Mr. MacDonald said he feels the purchase cost reflects the situation. The DDA is more motivated than the seller. The appraisal process is similar to situations where a municipality acquires land for road infrastructure for land that was not for sale and the purchase price is not surprising. The DDA was established specifically to do these types of things. Infrastructure improvement is part of the Master Plan, which was developed with public input. Land acquisition and creation is exactly what we are here for.

Mr. Winfield confirmed infrastructure would be put in as part of the project.

Ms. Lubbert said it would include water and sewer and that a lot of infrastructure costs, likely 1.16 million dollars, would be paid for by the city and other entities and that a Highway Safety Grant may also be possible.

The DDA's share, likely 1.4 million dollars, could come from DDA funds, possible partnership with the Township, with outside funding to be determined.

Mr. Cekola asked if a bank would support lending a higher cost than appraised.

Mr. MacDonald said a bank would consider loan to value and noted there have been several interest rate hikes and increases in construction costs since we began this project; numbers will need adjusting. There will be time prior to closing to consider that issue.

Chairperson Taylor said the first task is to identify the funds to acquire the property before the December 21, 2022 closing.

Ms. Lubbert said Township Attorney, Jim Porter, had prepared a memo regarding possible funding sources and was recommending bonding through a bank (10 years and kept under 1 million dollars to avoid increased lending costs). This method is allowed as a DDA. She read his memo (attached to these minutes) to the group. His recommendation was #3 on the list of options.

Mr. Cekola wondered whether the current owner would be responsible for property taxes during the two-year occupancy period.

Mr. MacDonald noted the owner will be responsible for any repairs needed during the two years, but the assessor will need to be consulted on the tax question.

The Chair suggested moving forward with the due diligence items, talking with a financial adviser regarding bonding options, and secure a bond in the fall.

Ms. Heiny-Cogswell said the Township Board needs to be brought into the loop on these plans. The last information they have is that the DDA would be moving ahead with their funding assistance on the Stadium Drive south sidewalk. Perhaps the best method would be to bring the acquisition/infrastructure plan to the Capital Improvement Committee which could then make a recommendation of support to the Township Board. She wondered when the appraisal would be shared with the owner.

Mr. MacDonald said he has not yet concluded his own review of the appraisal, but will share it with the owner very soon. Changes may be needed to proceed.

Ms. Horner noted environmental study cost will likely be around \$9,000.

Ms. Horner noted there are a trillion federal dollars available for infrastructure projects and Safe Streets and Roads for All. The outlook for infrastructure funding for this project, which for which safety is a concern is optimistic and could be very helpful.

Mr. MacDonald noted it would be very beneficial to be “shovel ready” especially since infrastructure projects are a priority for the federal government during times of recession.

Ms. Lubbert added the parcels to be sold could also be used as an economic development tool.

Mr. Wieber said time is squeezed as we would need to provide bond sale notice.

Chairperson Taylor said we will meet next in September and should have a decision on bonding then. We will inform the Board's Capital Improvement Committee of revised plans at their August 9 meeting. After that we will go to the Township Board.

Chairperson Taylor made a motion to move forward with the due diligence steps and to contact the municipal bond counsel. Mr. Cekola seconded the motion. The motion carried 7 – 1 (Mr. Corakis dissented due to the purchase price exceeding the appraised value.)

Project Updates

A. Stadium Drive Sidewalks

i. North Side

Ms. Lubbert indicated Ryan Russell of Prein & Newhof would provide an update of this project for the north side of Stadium Drive.

Mr. Russell said the project is complete. All that's needed is to be sure grass grows and erosion is controlled. \$10,000 is being held in case further work is needed. He indicated a walk-through had been done.

Mr. Corakis noted several items still needing to be addressed: a form board by Harding's needs to be removed, there is a big valley by the curb at the Harmon Glass side, a cement pop-up there that occurred during the winter and a 2 x 4 that needs to be removed. The storm drain along the curb by the church also needs to be addressed as well as the door on the church turnaround. He said the white vinyl railings at the church look very nice. He also said there is a water issue at the Harmon Glass curb change.

He strongly reiterated his request for a meeting to discuss the water issue which will be expensive to fix, as well as determining responsibility for the maintenance of the driveway at Ted & Marie's.

Chairperson Grant thanked Mr. Russell for his report.

ii. South Side

Mr. Russell said the decision was made at the last DDA meeting to delay work on the south sidewalk until 2023 due to a short timeline to request bids, and that the work would not be able to be done this fall. It was agreed to discuss this again at the September meeting.

Mr. MacDonald said some grants might become available with a delayed schedule and it was agreed a shovel ready design needs to be completed in order to be able to meet a timeline in case federal funding becomes available.

iii. VC and Village Form Based Code Amendment

Ms. Lubbert said at the last DDA meeting the subcommittee shared an overview of the code amendments they had been working on with Wade Trim and the Township Planning Director. Board members were provided the drafted language to review. As no additional changes were requested, the VC and Village Form Based Code amendments will be on the July 28 Planning Commission agenda for consideration.

2023 Budget Discussion

Ms. Lubbert said, as in previous years, the process is for the DDA Board to recommend a draft budget to the Township Board. She provided a copy of the draft budget for 2023 and indicated a draft is due to the Township Supervisor by the end of July. The Township will then incorporate the budget into their review and approval process. She highlighted numbers in the draft document requiring DDA Board discussion and action. They included a 2022 budget amendment to remove the \$600,000 grant from the revenue line which the Township Board granted to the DDA to construct sidewalk on the south side of Stadium Drive.

The group reviewed the budget draft dated July 14, 2022 and changed the following line items:

-Current Real Property Tax was changed from \$200,000 to \$190,000 due mostly to the incorrect collection of new road millage that will not be included.

-Capital Outlay/Obligated Projects was zeroed out from \$10,000.

-Loan Repayment: \$95,000 was budgeted for property bond repayment

-Property acquisition was zeroed out.

It was noted a budget amendment will be needed for 2022 to adjust for the delay in constructing the south sidewalk on Stadium Drive.

Ms. Heiny-Cogswell said before that happens, the Township Board needs to be brought up to speed on the change of priority and how that may affect payback to the Township.

Mr. Winfield made a motion to approve the 2023 Budget for referral to the Township Board with the changes as agreed upon by the group. Mr. Wieber seconded the motion. The motion carried unanimously.

Other Items

There were no other items to consider.

Announcements and Adjournment

Mrs. Phyllis Lubbert, a resident of Huntington Run, said she is excited about the increased safety the Atlantic Avenue changes will provide.

With no further business to consider, Chairperson Taylor adjourned the meeting at approximately 1:35 p.m.

Oshtemo Charter Township
Downtown Development Authority

Minutes Prepared: July 22, 2022

Minutes Approved: September 15, 2022

MEMORANDUM



Date: July 19, 2022
To: Downtown Development Authority
CC: Iris Lubbert
Libby Heiny-Cogswell
From: James Porter
Subject: DDA Financing Options for Purchase of Property

This Memo has been prepared a response to the DDA's inquiry as to whether it can borrow money for the purchase of the Kinney property on Stadium Drive. If the question is *may* the DDA borrow money from a bank like any other bower and sign a promissory note **the answer is no**. If the questions is whether the DDA *can finance* such a purchase, **the answer is maybe**. The DDA's only has the authority to borrow money via the issuance of bonds. There are three different methods of issuing bonds available to the DDA:

Option 1: To issue revenue bonds under the Revenue Bond Act (MCL 125.4213 and 125.4213a).

Option 2: Use the development program financing provisions of the Municipal Finance Act (MCL 125.4216, subsection 1), which allows the Township (by resolution) to issue and sell general obligation bonds and pledge its full faith and credit on behalf of the DDA.

Option 3: Use the Tax Increment Financing Act (MCL 125.4216) and sell tax increment bonds.

There are three hurdles associated with Option one. The first is that the bonds would be subject to the right of referendum (i.e., a citizen could circulate petitions and force a ballot issue to determine whether the bonds may be issued). The second is that issuing revenue bonds requires the approval of the Township Board. Third, the DDA will also have to then meet the statutory requirements of the Revenue Bond Act (this is fairly complicated). Accordingly, Option one is not

necessarily the easiest way to move this process ahead; if referendum petitions are filed, there could be a substantial delay in the ability to purchase the property.

Issuing bonds under Option two also has some issues. To issue these bonds, they have to meet the requirements of the Municipal Finance Act. In addition, the DDA will have to submit an estimate of the anticipated tax revenues, and other revenue, available for payment of the principal and interest on the bonds to the Township.

Option three is perhaps the most straightforward method is to use Tax Increment Financing Act. MCL 125.4216(2) would allow for the sale of tax increment bonds. The DDA would not require the approval of the Township Board, nor the pledge of the Township's full faith and credit to issue these bonds. However, after talking with bond counsel, Mark Nettleton, this option would require a municipal financial advisor (such as Bendzinski & Co.) to properly size the bonds and satisfy a bank that the bonds could be repaid. The DDA would also likely need the assistance of bond counsel to assist in the negotiated sale to the bank for the bonds. Please note that Mark Nettleton said if the DDA exceeds \$1 million in bonds the costs and expenses for the issue of the bonds will increase substantially; he strongly suggested that the amount of bonds be below \$1 million.

In order to move this project forward, I would strongly recommend that the DDA contact Mark Nettleton of Mika Meyers, PLC in Grand Rapids (mnettleton@mikameyers.com; 616-632-8048), or another attorney well versed in bond issues, and arrange to have them assist with any further financing issues. I am also providing the contact information for Bendzinski & Co. (<http://www.bendzinski.com>; 313-961-8222) out of Grosse Pointe, MI (who the Township has worked with in the past) so that the DDA can contact them regarding their services as a municipal financial advisor for this project.