

City of Mt. Pleasant

Brownfield Redevelopment Authority (BRA) Economic Development Corporation (EDC)

MINUTES OF THE REGULAR MEETING

November 1, 2017—11:00 A.M.

City Hall, Conference Room A

I. Call to Order

The meeting was called to order by Chair Jeff Smith at 11:00 a.m.

Present: Tim Coscarelly, Mary Ann Kornexl, Tom Krapohl, Kathleen Ling, Margaret McAvoy, Nancy Ridley, Jeff Smith (Chair)

Absent: Joe Olivieri (Vice-Chair), Jennifer Verleger

Also attending: (Staff): William Mrdeza, Michelle Sponseller
(Others): Steve Calverley, Eric Helzer, Jim McBryde, Rick McGuirk, Joe Quandt, Andy Smits, Andy Theisen, Scott Wieland

II. Approval of Agenda

It was moved by Krapohl, seconded by Ridley, to approve the agenda as presented. **The motion passed unanimously.**

III. Approval of the July 17, 2017 Meeting Minutes

It was moved by Ling, seconded by Ridley, to approve the July 17, 2017 meeting minutes as presented. **The motion passed unanimously.**

IV. Old and New Business:

A. EDC

1. Consider Sale Price for Property Owned by the EDC in Industrial Park South

Mrdeza presented information to the Board regarding interest expressed in purchasing the remaining land owned by the EDC in Industrial Park South. He explained that he received an inquiry at an industrial park meeting the previous week from a number of property owners interested in purchasing the property for a fair market price. Mrdeza committed to trying to get a preliminary value on the property and to initially introduce the property purchase interest to the Board at this meeting in order to see if there was support to research a formal asking price. The EDC owns two parcels in the park: one west of Wildlife Gallery with frontage along Isabella Road, and the other on the north end of the park which

contains utilities and utility access. The former parcel has more value due to its location, while the latter parcel, while larger, has less development potential and hence less value per acre.

Working with the City Assessor, Mrdeza reported that an initial property value of approximately \$14,529.20 per acre was determined for the 3.579 acre parcel with Isabella Road frontage. This amounted to an approximate fair value of \$52,000. The second 9.5 acre parcel on the north end of the industrial park had an estimated value of \$3,684.21 per acre or a total value of \$35,000. This is due to its limited potential as buildable property.

Mrdeza indicated that most of the property owners in the industrial park were opposed to the possibility a medical marihuana facility locating there and, as property owners, wanted to control their own destiny. By purchasing the remaining City-owned parcels, future votes on this and other issues affecting park property owners can be made without the input or influence of the City, a sentiment echoed by Andy Theisen when asked to comment on the topic. It is the intent of the property owners to amend the Protective Covenants of the industrial park to add medical marihuana facilities to the list of uses prohibited within the park.

During additional discussion, EDC Board members expressed an interest in refining a fair sales price and then offering that for consideration by the industrial park property owners. Mrdeza noted that additional consideration would need to be given as to how the northern 9.5 acres were treated in regard to ownership and voting rights since the City has a vested interest in keeping access open to its water tower and leased cell tower site adjacent to the U.S. 127 right of way. He was confident an appropriate arrangement could be worked out to the satisfaction of all parties should the property be sold. Theisen confirmed that the park property owners had no interest in acquiring or owning the cell tower or the lease revenues from it.

Mrdeza indicated that he would work further with the City Assessor to confirm or revise the preliminary estimates of fair market value and bring those back to the Board for consideration at a future meeting. He suggested that such a discussion could occur as soon as the next meeting, scheduled for November 15th, assuming the agenda allowed for that. If not, he would work on scheduling another meeting on this topic soon after that date. Ridley asked that staff provide a map of the industrial park so the Board could visualize the location of the EDC's property in relation to other landowners, and to also provide a history of previous property sale prices and dates of sales if available.

2. Consider Signing Quit Claim Deeds with Adjacent Property Owner Jim Holton to Clean Up Minor Discrepancies in the West Boundary Line of the 410 W. Broadway Parcel

Mrdeza explained that as a result of the title work that was done during the due diligence period for the 410 W. Broadway it was discovered that there was a discrepancy on the west boundary line between the City-owned property and that owned by Jim Holton next door. A map illustrating the property encroachments on the west side of the property was provided to the Board members. In an effort to remedy this, the City's Assessor worked with the Title Company and Mr. Holton to arrange for an exchange of parcels. This action,

if acceptable to both parties, would establish clear title to the City's property when it came time to sell it.

Mrdeza presented a signed Quit Claim Deed from Jim Holton to the EDC which conveyed a portion of his property to the EDC. The EDC was being asked to authorize the Chair to sign a similar Quit Claim Deed to Mr. Holton which conveyed a portion of the EDC's property to him. Neither action would have negative impact on the current proposal for a mixed use development on the property. It was moved by Kornexl, seconded by Krapohl, to authorize the Chair to sign the Quit Claim Deed to Jim Holton as described. **The motion passed unanimously.**

B. BRA

1. Approve the 2017 Amended Budget

Kornexl reviewed the proposed amended budget and requested approval if there were no concerns from the Board. Hearing none, it was moved by Kornexl, seconded by Ridley, to approve the 2017 amended budget as presented. **The motion passed unanimously.**

2. Informational Update on Obligation to Honor the Reimbursement Agreement for Brownfield Plan #15 (McGuirk Mini-Storage)

Mrdeza explained that the City has two approved Brownfield plans for property north of Pickard Street which recently changed ownership. Because of differences in the language of the reimbursement agreements between both plans, terms and obligations for reimbursement is treated differently now that the property has been sold.

Under the most recent plan (#15), Mrdeza indicated there is no action needed by the Board at this time since the new owner, MRP Properties Company, LLC, has not sought reassignment of the Brownfield plan from McGuirk Mini-Storage and is therefore not entitled to any reimbursement based on improvements made to the site to date. Any future improvements MRP may make to the property, however, would generate revenue that McGuirk Mini-Storage would be entitled to per the agreement language. Mrdeza note that based on information from company representatives, there are no current plans for future improvements by MRP. Therefore this item is informational at this time.

3. Discussion and Recommendation Regarding Action on the Reimbursement Agreement with P&A Development, LLC, for Brownfield Plan #5 at 510-600 W. Pickard

The second Brownfield plan the Board needed to consider action on involved Brownfield Plan #5 with P&A Development, LLC. Section 2.1 of that plan's reimbursement agreement indicated that cessation of operation of the developer's business on the property constituted a default of the agreement. The City attorney's opinion was that once the sale of the property to MRP was finalized, the developer ceased operation of business on the property and therefore was not entitled to the remaining reimbursement. The Brownfield Board could recommend honoring the reimbursement agreement if they felt there was a compelling reason to do so. Mrdeza reported that the developer actually incurred less in eligible costs than anticipated in the plan and generated more in taxable value than the plan

projected and therefore actually exceeded the expectations of the plan as originally envisioned. When asked, Kornexl indicated that to date, the City had paid the developer approximately \$145,000 in principle and interest and had \$198,979 remaining that was owed. Based on this information and the developer's performance, it was moved by Kornexl, seconded by McAvoy, to recommend the Reimbursement Agreement be amended to provide for reimbursement of the remaining \$198,979.00 to the developers, but without interest. Discussion on the motion ensued.

The Chair recognized Joe Quandt, attorney for P&A Development, LLC, who addressed the Board. Mr. Quandt argued that the provision in the reimbursement agreement which identifies "cessation of operations..." as a default to the agreement was an ambiguous term and not well defined in the agreement language. He indicated that his clients continued to operate a series of solar panels on the property and sold the generated electricity to the remaining tenants. Quandt also suggested that this reimbursement agreement was the only one the City had with the default language in question. As a result, he felt it might have been mistakenly included in the agreement from another template that was used by the consultant. After conferring with his client, Quandt requested the Board consider an amendment to the motion to include interest of 2.2% interest, which was less than the 4.39% in the current agreement. After some discussion, Kornexl moved to amend her original motion to include a 2.2% interest rate, seconded by McAvoy. **The motion to amend the original motion passed unanimously.** The Board was then asked to vote on the original motion (as amended) which was to amend the existing Reimbursement Agreement for Brownfield Plan #5 to provide for reimbursement of the remaining \$198,979.00 to the developers, and to include an amended interest rate of 2.2%. **The motion passed unanimously.** Quandt offered to work with the City's attorney to amend the reimbursement agreement and to present such amended agreement to the City Commission for approval consideration. Board members agreed with Mr. Quandt's offer in an effort to get language in the document that would be agreeable to all parties.

4. Discussion on Amending the 320/410 W. Broadway Brownfield Plan (City Hall/Parcel B) to Allow Financing Options to Assist with the Proposed Mixed Use Development Project on the 410 W. Broadway Site

Mrdeza introduced the team from Maplegrove to explain their current progress for the proposed development on the 410 W. Broadway site as well as their financing plan for the project. They reiterated their enthusiasm for the project and shared some conceptual drawings of the project as envisioned to date. The current project proposes to invest \$12.5 million, will add to the tax base, and create an estimated 5-15 new jobs. When complete, the project will contain five stories of mixed use development including first floor commercial (8,000 sq. ft.) and 91 residential units. Construction is anticipated to begin in the spring of 2018 and be completed by 2020.

The project team indicated that because of lender requirements, they need to identify at least 91 dedicated parking spaces on the site. In order to accomplish this, the project envisions 70 spaces of covered podium parking beneath the residential units, with the remainder of the parking accommodated on site. The covered podium parking added about \$1.8 million to the initial cost estimate. In order to support the project investment, there is now a gap of \$4.31 million that the project team is proposing will be closed through a

combination of Brownfield TIF plan reimbursement as well as grant and loan assistance from the State of Michigan. The development team was proposing an amendment to the current Brownfield plan written for the property which would:

- Add one new parcel to the plan
- Identify and describe the new project
- Identify new taxable value and TIF revenues from the new investment
- Identify new eligible activities and their cost
- Continue the previously approved TIF capture support to meet the City bond debt obligation
- Extend the Brownfield plan's TIF capture period an additional 15 years and reinstate the school tax capture agreement that had expired
- Propose to continue capture at 100% and 5% simple interest

The Board had a number of questions which were discussed. Mrdeza reiterated that the purpose of the discussion at this meeting was to introduce the Brownfield Board to the proposed financing needs of project and their participation through an amendment to the Brownfield plan as described. If the Board conceptually agreed with plan, the project team will prepare an amended Brownfield plan for the Board to consider at their next meeting, scheduled for November 15th. Mrdeza also reminded the Board that their future action on this request would be a recommendation to the City Commission. **By consensus, the Board directed staff and the project team to move forward with the preparation of a Brownfield plan amendment and to continue to pursue the other elements of the financing plan as discussed. They also directed staff to bring the proposed Brownfield plan amendment back to the Board for consideration at their November 15th meeting.**

V. Other Business

There was no Other Business discussed at the meeting.

VI. Adjourn

There being no other business, **the meeting adjourned at 12:30 p.m.**