CITY OF WIXOM
DOWNTOWN DEVELOPMENT AUTHORITY
49045 PONTIAC TRAIL
WEDNESDAY, JUNE 10, 2020
5:00 p.m.

This meeting of the Wixom Downtown Development Authority Zoom Meeting came to order at 5:00 p.m. with the following individuals in attendance:

DDA MEMBERS: Chairperson Caleb Sheng, Kailee Fine, Amanda Habbouche, Wes Umlor, Vanessa Willett

ABSENT: Excused: Members Gavron, Grossi, Klebba-Cheney, Rzeznik, Smith, Mayor Beagle

STAFF: Steve Brown, City Manager, Sheryl Lucas, Administrative Assistant to City Manager, Laura Cloutier, DDA Executive Director and Mona Freiburger, Recording Secretary

Determination of Quorum:

Quorum was not met.

Reading of Vision and Mission Statement:

Mission Statement: The Mission of the Wixom DDA is to coordinate the efforts of businesses and residents to promote the growth of the downtown area for the community's benefit.

Vision Statement: The Wixom Downtown Development Authority is to provide a friendly, welcoming downtown which will enhance and honor our history while promoting cultural, business and recreational opportunity that attract businesses and residents.

Approval of Agenda:

MOTION by Chairperson Sheng and second by Board Member Willett to approve the Meeting Agenda.

VOTE: MOTION CARRIED

All in favor.
None opposed.

Public Comments:

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None

Approval of Minutes:

None

Correspondence:

None

Old Business:

None

New Business:

- DDA/TIF Plan Update

Mr. Carmine Avantini, CIB Planning, introduced himself and gave some of his background information. He has been the planning consultant for the City of Wixom for 19 years. He was involved at the beginning of the VCA development. He indicated he has been working on the DDA Plan and getting into the final stages. One of the key components would be the proposed improvements.

Mr. Avantini indicated he does a lot of work with DDAs across the State. He does a lot of redevelopment and redevelopment financing work on projects. He also does work for project developers in different areas and works with private partnerships to get projects developed.

Mr. Avantini stated we are going to create a project list. These projects are going to be inserted into the plan.

Mr. Avantini indicated one of the key components is the project list which is required by State and it is strict as to what you have to do. The adoption process for the plan is onerous, as well.

Mr. Avantini stated he went through the previous project list and he was happy to say that they have completed quite a few of the projects that were on the list. They were driven by the tribute project. The tribute project was driving the previous project list and all of the improvements that were needed on the city property and also leading into the road network.

Mr. Avantini indicated we are at a new stage. We want to make sure that the list is broad enough in scope that we are not going to miss anything. We want to make sure that if we are going to do a project that involves the barn, then it is going to fall under one of these categories. We try to be as forward thinking as we can so that anything that we might come up with would also fall

APPROVED - 8/25/2020

under these categories. They are much more general than they were in the last plan and that is intentional.

The dollar amounts that are in each category, those are rough estimates. We are not going to be held to those, they do line up with the tables in the plan and we are not going to be held to the tables in the plan. The State will ask us to take a look at what the tax capture might be, what it might look like based on the mills we are capturing and based on the property values. They are all estimates. If there are questions about where we are with the tax capture, our taxable value, that could be provided by the finance department. It should be easier for them in the coming years since there is a positive tax capture.

The first one is business development. There is a listing of what some of those projects might be, it is not limiting us. We can find other business development activities that would also follow under this. An example would be building a rehabilitation grant program to help people upgrade their building. Further down on the list is building façade but this could be for more comprehensive funding, building rand rehabilitation. If there is a shortage of funding to make a project happen, the DDA can come in with some money that would help close that gap and make it a doable project.

There is an incentive program to stimulate private investment and property maintenance. One of the things that is commonly done is beautification awards. The communities giving out these awards, people take a lot of pride and they do work.

Another is to encourage property owners and developers to create mixed use developments that are in keeping with what we are trying to do in the VCA district. Under this category, this could be something as simple as going out and marketing the downtown area to developers who do this type of work. They do this in mixed use developments.

Mr. Brown indicated on the beautification awards, an FYI to the DDA members, that is something that we had a city council member ask that we establish our own beautification program here.

Mr. Avantini spoke on public space. There is a lot of money put into public spaces. The fountain in between the library and the City offices fell under public spaces.

The next one is strictly DDA marketing, development studies, promotional materials, anything that is needed to help promote the downtown area to businesses. Marketing materials would include the type of retailers that we should be attracting to downtown. We may want to have a market study done to tell us who is likely to locate here based on our demographics. We may want to know how much additional housing could be located in the VCA. There are a number of different things that we could look at, mixed use development.

Number four is building façade and sign improvement program. A number of communities do this, they have extra criteria. You can apply for matching grants, partial grants for either upgrading your façade or instituting a sign improvement program. Some banks work in conjunction with

APPROVED - 8/25/2020

DDAs and will offer a loan program that supplements a low interest loan funding program being provided by the DDA. The DDA's funding can actually give them a little more security if they are in their first collateral position, or if the loan is faulted. It is a program that is highly used in different communities.

Number 5, we want to keep money in there for DDA property acquisition. When the VCA project was undertaken 15 years ago, there had been quite a bit of money spent on behalf of the city acquiring property. That is a line item that we want to make sure it is in there even if we don't use it.

Special downtown and urban design plans. We put some extra money in there. Work on this project includes the VCA. It is streamlining the design guidelines and updating the ordinance requirements. We want to keep that in there in case there is something else we want to cross down the road to hire somebody to do a schematic, rendering or design that could help us envision what this could look like.

Number 7 is demolition. That is not a lot of money under demolition but keep in mind, we don't have to stick with these budget numbers. They are guides. If we need additional monies in demolition because there are a number of projects going on, then we can always do that. We are not restricted to those numbers.

Public infrastructure. There are some infrastructure items that relate to the VCA that haven't been done. We have flexibility with how we use that for the infrastructure.

Private infrastructure. In a private development, there may be dealing with a parking deck or some other public use facilities but the developers are including it in their project. We have the ability to commit funding to that project. They would build it and own it but we would help finance it for them but it is still a publicly used type of facility.

Site preparation. There are times when we have a site that may have a lot of old buildings back filled into it like the Ford plan or there were other site conditions such as poor soils; it has to be excavation and new soil has to be brought in for the compaction. There are a lot of different things that can take place that you can also participate in, if needed.

Environmental activities. Typically, the Brownfield will cover all of the environmental activities. If there is a highly contaminated site, this will give us additional flexibility.

Ms. Willett asked in the types of projects that come up or anticipate in the future, would the environmental funding also cover, for example, wetlands preservation and surveys? Mr. Avantini indicated yes, if it were in conjunction with a project.

Gap financing. This ties back into some of the public and private improvements. Monies would be included for gap financing. This tends to be very project specific. A project has the potential to generate a lot of tax revenue and there is a short fall of $500,000. Without the $500,000, this

APPROVED - 8/25/2020

project isn't going to get built. The $100,000 in new tax increment that we are going to capture every year won't be there because we don't have a project. In order to make that project work, we can commit back enough for future tax increment to close the gap and take care of the additional $500,000. It means that last piece of funding that we need to make a project feasible, we can commit it but we are going to base it on that project. We would enter into an agreement with the developer. When they pay their taxes every year, we are going to rebate taxes back to them in this amount or a certain amount of time to close that gap because without that project, we don't have that tax money, anyway. It doesn't take any money from your pot of money coming in from the district as a whole. It is very specific to that project. Mr. Avantini renamed this project specific gap funding. The goal here is to encourage a project to be built and use future tax capture from that project to help make it feasible. It is a win/win situation. You don't collect tax increment for four or five years or ten years, or whatever it is, but once that time period is up, then the DDA collects all of the tax capture from that projects. That's one of the key pieces to this.

Chairperson Sheng indicated for those that aren't familiar, Mr. Avantini thought of this concept. If a project is going to get built and generate $50,000 a year in tax revenue from that property and then have a $500,000 shortfall, we can, essentially, make an agreement with them that say you are going to get a rebate up to $50,000 a year in taxes for the next ten years which would make up the $500,000. After this project is done, we will also work with the city to set up and work with the DDA to set up an application process that gives you the ability to evaluate projects because we are not going to have it where you come in with a proposal and whatever proposal gets funded or there may be project you like, project you don't like, and so to make sure that the DDA and the city are not perceived as being as playing favorites with one project over another, we are going to help you set up a rating, a criteria which you can rate applications. You will have high priority, medium priority or low priority. You may adjust the amount of tax capture and the term of that tax capture, that you want to commit back based on what kind of priority that project has in your rating scale. You would have some flexibility with it but it is going to put you within parameters where you are not going to be accused of playing favorites with one development over another.

Ms. Willett commented that the Economic Vitality Committee has been meeting regularly and they have put together, started reaching out to the east retail. They are in the beginning stages. She asked if they could use something like this for that development to push them into developing the gap funding this special project. Mr. Avantini stated yes. Chairperson Sheng asked if they could use the application process to corral people towards committing to parameters that they find acceptable. Mr. Avantini recommended they speak with Elaina at CIB Planning, director of marketing and strategic planning to coordinate efforts because that is useful information that they can take advantage of in doing the work that they are doing.

Mr. Avantini indicated if you are doing a project and we agree that there is a gap and it is going to be provided moving forward with the tax increment, we would enter into a development agreement which the DDA and the city, and you as a developer, and what that agreement says is when you pay your taxes each year, whatever the number is, "x" amount of money of increment would be rebated back to you. You would actually have to borrow during that period to cover that cost but you would be repaid over a certain period of time to cover that. It is an actual number

APPROVED 8/12/20

based on what your gap is and it is over a certain number based on your gap and it is over a certain period of time, it is not restricted like a tax abatement. There are big differences between a tax abatement in how this is handled and what it can do for you and what it can be used for. Tax abatement has limitations on what it can be used for. The DDA has complete discretion within the statute, itself. It has to be for something physical or financial that is related to that specific, physical project. Chairperson Sheng asked if they are free to blend some of these different funding items. For instance, getting retail built, could they offer gap funding and then can we also offer some monies from the consultation operational expenditures and then can we offer some site preparation money and some private infrastructure improvements, money blended into together with that and also say we are going to use our own public building fund to build a barn, it is going to be enhancing the attractiveness that is in proximity to the space you are looking to build and we commit to doing it by a certain timeframe. Mr. Avantini stated the answer is yes, but you will probably find most development deals like that, they will pick out a specific thing that they want you to cover, just because it is easier. It will be specific items. It might fall under a couple of categories. That's where the DDA can come into play and fit within, potentially, several different categories. Mr. Avantini state as long as it is within the DDA and it fits under one of these categories, you can use it. We have to keep the two pots of money separate. The project specific does not depend on you having money right now, it depends on you having a project in that future increment. If there are five different projects at one time that all have need for gap funding to help close the gap, you can do five different projects. There is no limitation on the commitments that you can make because you are capturing taxes from that project, specifically. It is a powerful tool.

Bond and city repayment. The strategy here, we really don't want to spend a lot of time talking about it because that will be our next meeting where we review the plan, but, obviously, we had a recession hit and the city went from capturing taxes to tax increment to pay off the bonds that we used to put in all of the infrastructure to having to borrow money from the city to pay off those bonds and now repay the city back in addition to paying off the rest of the bonds. Had we known better at the time, we would have had the developer borrow the money and then the city would have backed it up. Then when they went bankrupt, we would have gotten out of the obligation, also, like they did. We want to make sure we're being as wise as we can be and if for some reason the development goes under, we don't want the city to still be on the hook for funding. It can go under with the development.

Chairperson Sheng asked if there is documentation available for the original loan and bond. Secondly, is there a category here, which is something we wanted to do for a long time? If it is possible, that they pay city service and contract with the city service and contract with the city to pay for it as a way to help fund city services that would be performed in the area. Chairperson Sheng understood that it has to be clearly laid out and done within the DDA boundaries. He asked if there is a way to apply DDA funds towards paying for city services performed in the geo-fence area that normally would be paying itself. Mr. Avantini indicate the State Act does allow you to account for an increase in public services that related to growth. It is being encouraged in the DDA district. It is vague. Anything that relates directly to the increase in development in the downtown area, you can commit some funding to assist with that increase level of service. That

APPROVED - 8/25/2020

is allowed under the Act. Chairperson Sheng indicated it would be nice if that helps the city's budget and we have the money coming in and we are allowed to use it for that. Mr. Avantini indicated they have to have a direct correlation. It has to be very specific. Ms. Willett stated, for example, because it is on here, if we help put in extra restrooms, obviously, somebody has to service those supplies such as regularly scheduled maintenance which the city, typically, does. It is in the downtown, Ms. Willett asked if the DDA would then have a contract with the city for those maintenance services that comes out of the DDA funding. The DDA has done a number of events on a regular basis which is great to encourage people to come to the downtown and you know that instead of cleaning the restrooms or even if you have new restrooms, instead of cleaning the restrooms once a day, you have to go in there and do it four times during that day because of the heavy usage or more, that would fall under number 13, an operational expense that could be covered by the DDA and it is directly associated to one of your events and your activities. Yes, you can do that.

Mr. Avantini indicated most of everything that was talked about falls under one of these categories. It is within the Act because we want to make sure that everything we do fits within the Act. We have to go back to the county with the revised plan. They do have the ability to evaluate our project list. The agreement says that we also have the ability to go back to the committee to request a review and acceptance of our revised project list. It doesn't say anything about changing the terms of the agreement. At a minimum, we want to go in there and at least get them to upgrade our list of projects. While we are there, we are going to see if we can get them to consider extending the tax capture because we lost ten years during the recession. Basically, we still have a number of things that we would like to do. It is one of those things where we are not expecting them to say okay because they are probably the toughest county in the state when it comes to DDA and tax capture. They are very careful about giving up tax abatement. The numbers are a guide. The only thing that is not a guide in the plan are the categories. As long as we can fit it under a category, whatever way we decide to fund it and so forth with our tax capture is good.

Mr. Brown indicated that's the only qualifier he wanted to talk about here. In your schedules, you have some projections about what would be over a period of time, if it were extended. That is subject to those limitations. You can say you want to spend up to $19 to $25 million dollars but you are not going to have $19 to $25 million dollars on hand in year one, two or three. It would be something that you are going to have to do over a period of time and spread the funding that you do have available across all of these different things. The public spaces, the difference may be that you would be looking at the DDA doing these as opposed to participating in the financing of city funded improvements somewhere within the district or not, is that the difference between number 2 and number 14? Mr. Avantini stated he could combine those. They are, basically, the same thing. They don't need to be separate items.

Mr. Avantini indicated the numbers that he used, $19 to $25 million, is based on the gap funding is going to be separate but he included it in here. They anticipated a 2% annual growth rate with these numbers. That rate could, potentially be much higher which would be great. They try to be fairly conservative. Over the past 20 to 25 years in the State, it has been between 1.5 to 2%, the

APPROVED 8/12/2020

overall inflation growth rate. With new developments happening, a lot going on in the city, that could be much higher and you could, potentially, have a lot more resources coming your way. The biggest burden right now is paying back the city and getting the bonds paid off. Those are the two things that once that is taken care of, all of the resources that come in after that would be used throughout the district for specific projects you are going to have.

Chairperson Sheng asked, how can you defray services that are performed downtown? How closely correlated does it have to be? Is it attributable or is it root and branch, those services had to have originated from the DDA's construction of something? Mr. Avantini indicated it is not a science, it is an art and you want to be relatively close. If you are paying for half of the downtown maintenance and cleaning the restrooms, etc., you are not doing any promotional events, that looks really funny. The fact that you are doing things in the downtown areas, you have activities, you have a lot of different things going on and if you want to apply funding to help defray some of those costs, that's fine. That's an eligible activity. You want to make sure that there is a fairly close relationship.

Mr. Brown asked if, hypothetically, there was a situation where it is a service that the DPW provides throughout the city but it is being provided particularly in the downtown area, not a new service, not unique to the downtown area, would that be something that would be eligible for reimbursement to the city from those kind of funds? Mr. Avantini stated the DPW does things in the downtown area during office hours, a number of things that they do are very specific to the downtown area whether it be lighting or the pond. These are things that you could be reimbursed. If it is plowing the streets, probably not, but if they have to use a different plow because the streets are so narrow and you have to do it a little differently, then yes, because it is a little bit out of the normal. The DPW does things in the VCA area that are not typical for the rest of the city such as maintenance with the light posts last year. They all had to be repainted. These services would be reimbursable.

Chairperson Sheng asked if we have an agreement for services that already exist. Mr. Brown indicated he was not aware of any in the city but he would have to check. Mr. Brown stated he did know of situations in other communities, for example, where they wanted to have a higher frequency of clearing of the sidewalk than what they were going to get from the DPW because the DPW has to do the entire city. That's a situation where they contracted with somebody and paid for it separately. That would be an option, individual agreement if that would be something they would be interested in. This is an example of a private contract in lieu of trying to have the DPW do the work. Chairperson Sheng stated he wanted to make sure that we are collecting, auditing in the agreement that we are all aware exist.

Mr. Avantini inquired about Chairperson Sheng's question about the bonds and forth. Mr. Avantini indicated he had information that he would include in the plan, the amount of bond indebtedness. The specifics are something that the finance department keeps track of.

Chairperson Sheng asked Mr. Avantini if he had a calendar road map for the next steps. Mr. Avantini indicated he sent over a revised draft to Mr. Brown and Marilyn, the director of finance.

APPROVED 8/25/2020

His biggest concern was getting the map wrapped up, the changes that we are going to need. The improvements are finished to the master plan map. Mr. Avantini indicated as soon as he received the map, and get feedback from Mr. Brown and Marilyn, add the tax parcels to the back of the plan, he would send it out for review. A meeting date would be picked to go through it in detail. Mr. Avantini stated he would like to see the plan wrapped up within the next two to four weeks. This plan would need to be adopted by the end of the year.

Ms. Cloutier thanked Mr. Avantini for his insight as to what is feasible in what they can and cannot do.

Mr. Avantini indicated they do a fair amount of work, working with different grant programs and also do work with private developers.

Chairperson Sheng also thanked Mr. Avantini for his time to come together with this list.

Information:

- Wixom Business Forums (7:30 a.m.)
- Downtown Business News/Events

Public Comments:

None

Executive Director's Comments:

Ms. Cloutier thanked Mr. Avantini and everyone for attending the Zoom meeting tonight.

Board Members' Comments:

None

Adjournment:

MOTION by Chairperson Sheng, second by Willet to adjourn the meeting. This meeting of the Wixom Downtown Development Authority was motioned and adjourned at 6:15 p.m.

Mona Freiburger
Recording Secretary

APPROVED - 8/25/2020