

The Leelanau County Brownfield Redevelopment Authority held a regular meeting on Tuesday, April 19, 2022 at the Leelanau County Government Center.

CALL TO ORDER: Meeting was called to order at 10:06 am by Chairman Dan Heinz who led the Pledge of Allegiance.

ROLL CALL:

Members Present: D. Heinz, R. Foster, T. Wessell, D. King, T. Eftaxiadis, C. Janik

Members Absent: J. Arens

Staff Present: T. Galla, Director

Public Present: J. Hawkins, L. Mawby, W. Irvin, J. Gallagher, A. Clem, one other public present

PUBLIC COMMENT – None

DIRECTOR COMMENTS - None

CONSIDERATION OF AGENDA

Motion by Foster, seconded by Wessell, to approve the agenda as presented. Motion carried 6-0.

CONFLICT OF INTEREST - None

CONSIDERATION OF MARCH 15, 2022 Minutes

Motion by Wessell, seconded by King, to approve the minutes as presented. Motion carried 6-0.

CONSENT AGENDA

Motion by Eftaxiadis, seconded by Wessell, to approve the consent agenda as presented. Motion carried 6-0.

UNFINISHED BUSINESS – None

NEW BUSINESS

Work Order No. 25 – Brownfield Plan TIF Model for Land Bank Properties

Gallagher gave a quick update and said he asked the Land Bank Authority (LBA) to approve an application to submit six parcels currently owned by the LBA, for one plan, and asked that this body consider waiving Part I and Part II fees associated with the plan. The purpose of the plan is to help build revenue for BRA and LBA through TIF, and to entice developers to use this as a tool, to enhance marketability. This would start a new process with future foreclosed parcels and is something he would like to replicate as the LBA acquires properties. This will help developers if this step is accomplished first. Gallagher concluded that this would help sustain activity of LBA, through a partnership with the Brownfield Redevelopment Authority (LCBRA).

Hawkins added that Act 381 statute allows a brownfield plan to capture tax increment on new investment in a property that creates new taxable value. Those taxes captured could be used to pay for eligible activities on that parcel. The statute also has flexibility of LBA properties that are in a brownfield plan. Any new investment on those properties that generates new taxable value can be used on any parcel that is in that brownfield plan, as long as it is owned by the LBA. The concept is to be able to leverage varying investments on those six parcels to potentially offset costs of eligible activities. Hawkins expressed that there needs to be some controls on expectation of development of those parcels by having developer agreements in place. That way, they don't buy the parcels and

sit on them for several years. There will need to be expectations of build out and some may have to be demonstrated as affordable. This model could be used to help subsidize some of the costs of the development of the homes. Gallagher said they are establishing a new procedure and future goals to keep this attainable and affordable. This will replicate as they continue with their goals for affordable housing, attainable housing, redevelopment, and blight elimination.

Hawkins said you lose control of properties that are going through the auction process. To model this, Envirologic would need to understand the size of lots, estimated costs of construction, what costs they will offset, timing to turn these around, etc. Gallagher asked Hawkins if this would be considered as a pilot program? Hawkins said it is being done in other communities but not a lot. Envirologic would need to look at how big this plan would be and if you get more properties, maybe do a separate plan for them. Gallagher said he had conversations outside of his office to understand what is being done elsewhere. It has its pros and cons and he would like to try it in our county.

Eftaxiadis said he looked at the scope of services from Envirologic and he is in support of looking at properties, assessing them, marketability, what can/cannot be done, and TIF revenues generated. Then, a decision can be made about proceeding or not proceeding. In general, he did not support taking a number of properties and adding them all in one plan because of the possibility of losing track of each property and how it will be redeveloped. Secondly, by establishing an all-in-one plan, the baseline in the beginning of the plan may be good for some of the properties, but the last property to be redeveloped, which may be years from now, doesn't have the benefit of the entire capture period. If they proceed with putting six properties in a plan, he would suggest they look at including some language where prior to developing each of the six properties, they do an implementation plan, so everything related to development of the property is put together in one document. This would include eligible activities, revenue, duration of capture for reimbursement, etc. Eftaxiadis concluded that they could deal with that after they had the initial evaluation of the properties.

Hawkins said it was his vision as part of this modeling that they would model each property individually so they know which properties will have a financial gap and what TIF will generate. From a cumulative effect, they could look at what might have excess TIF that could help support the other properties. Heinz said there might be a potential every year with new properties and maybe those should be handled with a new brownfield plan. Hawkins said with some creative thought, you could seek out developers and put expectations on them to see if they want to participate with TIF support within a certain period of time. Eftaxiadis agreed that the development agreement would be for each property. Heinz clarified that the first step is to crunch the numbers then phase two would be how they would streamline.

Eftaxiadis asked Hawkins what criteria would he use for looking at each of the properties in terms of their development potential. He then questioned the environmental conditions. Hawkins replied that for the Timberlee lots that the Land Bank previously owned, they looked at lots, slope and grade for redevelopment along with septic and well, and setbacks and then they determined how much room was left for buildable space. They will also look at adjacent properties.

Eftaxiadis suggested Envirologic include a list of contiguous properties that are not part of LBA but have redevelopment potential, in order to look at a bigger footprint for the project. Hawkins asked Eftaxiadis if he was suggesting to include adjacent and contiguous properties in a plan if they are vacant? Eftaxiadis answered not necessarily, but as part of assessment work are their available contiguous properties that could be added to the development? It may be more palatable to a developer for economy of scale. Gallagher said most properties are zoned for single family so we will probably focus on that as most properties are just residential lots. King asked about the timing? He didn't want to rush it but at the same time, we should be cognizant that the housing opportunity here is becoming more and more crucial. King asked Hawkins about his timeline and Hawkins replied they would have some information for the next meeting, and he felt it would be a two-month time frame, at least. His goal is to have an action item for the LCBRA in a couple months.

Heinz asked if the brownfield application Part I and Part II was on hold until they go through with Envirologic? Galla clarified that this work order would have Hawkins complete the preliminary work. The LBA had approved by motion to submit Part I and Part II to the LCBRA.

Motion by Eftaxiadis, seconded by King, to approve Work Order No. 25 with Envirologic in the amount of \$4,000.00. Motion carried 6-0.

Application Part I and Part II - Maple City Crossings – request for Brownfield Plan

Galla gave an introduction on Habitat for Humanity. She mentioned that the next item on the agenda was Work Order No. 26 to do a brownfield plan on this project. Part I and Part II were submitted by Habitat for Humanity and she has not received payment on the application fees. Galla reviewed the plans, drawings, agreement to access the private property, etc. that were submitted. The next step would be to have a dialogue with Habitat for Humanity and a motion to accept and move forward with a brownfield plan.

Eftaxiadis looked at the list of revenue and expenses and asked what was included in the \$275,000.00? Clem said that came from when they did a pre-evaluation for TIF. Hawkins added they used a tool they have for generating tax increment revenue, based on one parcel and six units. Eligible activities for this one was a little unique because of selling / conveying property and keeping it attainable. Based on the cost of construction for the property and appraised value, there is a financial gap. That gap is filled by multiple sources, fundraising, philanthropic, etc. Using a brownfield plan in conjunction with the LBA is a funding mechanism to help cover the gap on the project. Hawkins said based on a 30-year brownfield plan and tax increment revenue on six properties, \$275,000 is about what they can generate. That is a portion of the financial gap.

Eftaxiadis asked if there are other activities? Site preparation, demo, environmental? Hawkins said most of it is related to the gap between construction costs and appraised value and there is a \$600,000.00 gap for this project. The only eligible costs we are processing is developing the brownfield plan. Eftaxiadis asked if this was considered a facility? Hawkins said no. Eftaxiadis asked if there was vapor intrusion? Hawkins replied no. Eftaxiadis was looking at a cost of \$1.5 million and about 12000 square feet of space. Based on site plans, that comes to about \$132/square foot. Is that a realistic cost? Do you take into account volunteer services and material? You can't build for \$132/square foot right now. Clem said with the inflation of materials, they do get people who donate labor and materials towards a project. Eftaxiadis wanted to make sure they can actually build these units. Will they be sold or rented? Clem replied they would be sold through an affordable mortgage loan based on AMI (Area Median Income). Habitat tries to keep costs affordable to buyers because people in our community need our help for housing. The overall mission is to create that opportunity. Eftaxiadis asked what they expect as the sale price of those units. Irvin replied the average homeowner mortgage is \$165,000.00 and these units were appraised at \$286,000.00 which is not the purchase price for the homeowner. Irvin continued saying that their mission is to provide affordable housing so 30% of their income goes toward housing. So, they have quite a gap from appraised value to the selling price. They have to sell at appraised value or they would not be welcome in communities for selling below. Habitat recaptures subsidy on sale so the homeowners can't flip it. Hawkins added they are getting down payment assistance from MI State Housing Development Authority (MSHDA) so units have to be sold at that rate and will get taxed at that rate. The homeowner will get a subsidy to reduce their buying cost. Eftaxiadis asked if they would be homestead properties and Hawkins replied, yes. The capture year will be quite a while with a gap of about \$110,000.00 on each, so it will take a bit of time to get \$275,000.00 out of this. Heinz asked if the township has agreed to the TIF? Hawkins said they have not been there yet, but they are supportive of the project.

Heinz questioned the budget form regarding the \$60,000.00 of land the LBA donated. Is that going to be a cash offer? Clem's understanding was that at the sale of the home, they would pay back \$10,000.00 to the LBA at the time of each closing. Heinz asked Galla if that was correct. Galla confirmed with Gallagher that there was no donation and that \$60,000.00 was invested by the LBA for the purchase of the property, but it will come back to the LBA as properties get sold. Heinz asked about the \$35,000.00 or so from the property in Suttons Bay. Gallagher said that money was from the Madison Ave property that the LBA sold to Habitat but they could not develop it as intended. So, the property was sold by Habitat and that money went toward this property. There will be the 5/50 TIF generated from the Madison Ave property and then TIF on the Maple City property.

Hawkins said Envirologic did the modeling based on what revenue would be generated on these properties. The funds were not put into the model as being allocated to the LBA, Habitat for Humanity, etc. It was to offset the

overall construction budget. Hawkins said they were going to do the eligible taxes of 5/50 which will generate about \$23,000.00 in tax increment that goes to the LBA. When it transfers, LBA captures five years of 50% of tax and BRA captures the other. King asked when homeowners would be identified. Irvin replied that they already selected four of the six and they will put in sweat equity hours into the project. Heinz mentioned that in the last meeting it was said that only three will be done at first. Irvin said by zoning, they were allowed to do duplexes. They have selected four of the families, two of the duplexes would be done first. They originally had a two-year period but they were waiting for the Environment, Great Lakes, and Energy (EGLE) permit for approval of a septic permit.

Hawkins gave clarification on the brownfield plan. They will generate about \$9,000.00 a year for 30 years and referred to it as 'patient money' as it takes a long time to get some of that back. Eftaxiadis asked if Hawkins was asking for BRA to fund this up front and Hawkins replied, no. Heinz asked if they were doing this out of equity or getting a bank loan. Irvin said they can use this as a creative financing tool – perhaps as leverage for other loans.

Galla gave a brief explanation on the application fees.

Eftaxiadis said this is a non-profit and suggested waiving the fees. Heinz said that could be in their motion.

Motion by Janik, seconded by Eftaxiadis, to accept the application and waive all fees.

King asked if there was a history of waiving fees? Janik said yes, this is not the first time they have waived fees and sometimes they have reduced fees. He said they have a policy in place.

Motion on the table carried 6-0.

(Janik left at 11 am for prior commitment)

Work Order No. 26 – Brownfield Plan – Maple City Crossings.

Hawkins said this is a work order to prepare a brownfield plan for this project. He received some partial payment from BRA under the general services to do some of this modeling. Habitat for Humanity was also very good about getting numbers to him to help create a model and that is why the cost is a little less than they normally would do.

Motion by Wessell, seconded by King, to approve Work Order No. 26 with Envirollogic at a cost not to exceed \$3,000.00.

Discussion continued.

Eftaxiadis asked about the Act 381 work plan. Hawkins referred to several work groups with Michigan Economic Development Corporation (MEDC) along with TIF policies for tax increment financing. First, MEDC is not that supportive of affordable housing for an Act 381 work plan and secondly, if they were to approve for school capture on this parcel, it would require LBA to waive its 5/50. The properties are not in an area that is a prioritization for MEDC. From a standpoint of the effort involved, he didn't think it was worth the trouble. These would be principal residences so they lose the 18% for school TIF and would give up 50% of the 5/50 through an Act 381 work plan. Hawkins said there would be another potential three mils but he didn't think they would get approval from MEDC.

Motion on the table carried 5-0.

Request from Grand Traverse Regional Arts Campus (GTRAC) – TIF reimbursement under Brownfield Plan

Galla explained that they have a policy on TIF reimbursement that states the BRA will consider reimbursement twice a year after Summer/Winter taxes. They are in the round where BRA considers a TIF reimbursement in April and will bring it back as Claims & Accounts in May if action is taken today. The request from GTRAC is

regarding the old Norris School property and Grand Traverse Overall Supply on Cherry Bend Rd & M22 in Elmwood Township. They have \$62,847.70 into the property and a potential of another \$15,000.00 that may be added. They provided invoices and work orders that show all of the work that was done on the property. Galla asked Envirologic to look at it and they said \$6,534.20 in TIF was available. There is an additional \$865.39 that is still remaining as eligible expenses to be paid to the BRA so they have the ability to consider that be reimbursed to the BRA. The balance of \$6,534.20 would be eligible to be paid to GTRAC. The BRA would have to pay them back in increments since there is not enough coming in on the project. On page 15 is a memo from GTRAC asking for reimbursement and spelling out what is currently on the property. Galla noted the building is full with renters and GTRAC will use any funds for building improvements. Heinz asked if the BRA would be made whole first. Galla agreed they should be made whole. Eftaxiadis was in support of reimbursing the BRA for \$865.39. He asked about lien waivers and Galla said verification of payments and proof of completed work is required.

Motion by Eftaxiadis, seconded by Wessell, to utilize the available Tax increments to reimburse the balance of the BRA expenses of \$865.39 with the balance of available capture of \$6,534.20 being used to reimburse the developer expense. Motion carried 5-0.

Brownfield Conference attendance

Heinz noted that the LCBRA approved two people from this board to go to Oklahoma City in August for the brownfield conference and the travel has been approved by the county board. Once registration was opened and they started to look at airfares, it didn't seem prudent to send two people. Airfares a month ago were about \$800.00 for one person and the next day it was \$1,080.00. Now the cost for airfare is up to \$1,200.00, plus lodging of \$200/night and state and local tax. Heinz said that one person should go and that should be the director, Galla, as she's the contact person day in and day out. King supported that and asked if the flight was out of Traverse City or possibly looking into Detroit or Grand Rapids. Galla said she did look at other cities but then there is a mileage reimbursement fee for travel to another airport plus parking at the airport which makes it more costly than leaving from Traverse City. Heinz said they applied for a travel scholarship but have not heard back yet. King asked if there was a virtual option? Hawkins said, no. Galla commented on some of the difficulties with virtual options. Hawkins said they could consider travel cost out of the EPA grant, if we receive the grant. Eftaxiadis suggested flying from Manistee. Also, you lose the value of talking to other people, in person and getting a national perspective when you do virtual conference. We should also look at future trainings with EGLE and MEDC. Hawkins commented on an EGLE session on April 27. Heinz added that Hawkins provided a brownfield 101 class for us and webinars are also a good approach. Members agreed that Galla would be the person attending the conference.

2022 Goals

Tabled to next month.

FINANCIALS

Claims & Accounts - \$1,073.75

Motion by Eftaxiadis, seconded by Foster, to approve C&A Envirologic invoice #08836 for \$1,073.75. Motion carried 5-0.

CORRESPONDENCE / COMMUNICATION ITEMS - None

PUBLIC COMMENT- None

DIRECTOR COMMENTS

Galla said that she was contacted by EGLE regarding our \$25,000.00 payment that needs to be paid by June on the Leland property. This will be in C&A next month.

MEMBER / CHAIRPERSON COMMENTS - None

ADJOURN

Meeting adjourned at 11:20 am.