KALAMAZOO DOWNTOWN
ECONOMIC GROWTH
AUTHORITY

Board of Directors Regular Meeting Minutes

MAY 15, 2023, 3:00 p.m. | Community Room, Kalamazoo City Hall

PRESENT: Mayor David Anderson, Curt Aardema, Jeff Breneman, Carl Brown, Grant Fletcher, Stephanie Hinman, Susan Lindemann, Clarence Lloyd

ABSENT: Matt Hollander

STAFF: Rebekah Kik, Paul Thuringer, Jerrid Burdue, Steve Vicenzi, Jaime Marsman

A. CALL TO ORDER

DIRECTOR LINDEMANN CALLED THE MEETING TO ORDER AT 3:36 P.M

PRESENT: Mayor David Anderson
Curt Aardema
Jeff Breneman
Carl Brown
Grant Fletcher
Stephanie Hinman
Susan Lindemann
Clarence Lloyd

ABSENT: Matt Hollander

EXCUSED: Matt Hollander

THE MAY 15, 2023, ATTENDANCE INCLUDING EXCUSED AND UNEXCUSED ABSENCES ARE RECORDED.

B. ADOPTION OF FORMAL AGENDA

Director Lindemann noted that the agenda should be amended to add a Closed Session following the Director's Comments.

DIRECTOR BRENEMAN MOVED TO AMEND THE AGENDA TO ADD AN ITEM AFTER DIRECTOR COMMENTS TO GO INTO CLOSED SESSION UNDER MCL 15.268(1)(h) TO DISCUSS A PRIVILEGED LEGAL OPINION. NO OBJECTIONS. MOTION CARRIED.

DIRECTOR FLETCHER MOVED TO ADOPT THE MAY 15, 2023 AGENDA AS AMENDED. DIRECTOR LLOYD SECONDED. NO OBJECTIONS. MOTION CARRIED.

C. APPROVAL OF MINUTES

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DIRECTOR FLETCHER MOVED TO APPROVE THE APRIL 17, 2023 MINUTES. DIRECTOR BRENEMAN SECONDED. NO OBJECTIONS. MOTION CARRIED.

D. REPORTS AND PRESENTATIONS

1. Financial Report

Mr. Vicenzi shared details regarding the Financial Report.

DIRECTOR FLETCHER MOVED TO ACCEPT THE FINANCIAL REPORT AS PRESENTED. DIRECTOR LLOYD SECONDED. NO OBJECTIONS. MOTION CARRIED.

E. DISCUSSION/ACTION ITEMS

1. Swearing-In of New DDA Board Members

This was accomplished by Scott Borling, City Clerk, at the beginning of the Downtown Development Authority (DDA) Board meeting before Roll Call.

2. Treystar Presentation

Fritz Brown from Treystar and Joe Agostinelli were present. Mr. Brown stated Treystar has been working on this deal for 215 E Michigan for the last eight months. He noted that 215 E Michigan has been out of service for 11 years. It is in the 100 block of Michigan; Treystar has six other buildings on that block. Mr. Brown stated that they initially sought RAP funds but were awarded significantly less than they requested. They also achieved an Obsolete Property Rehabilitation Act (OPRA) for this property which freezes most of the taxes for a period of 12 years. They are requesting the removal of this property from the DEGA. Mr. Agostinelli stated that they needed to regroup their capital stack after learning that their RAP award was less than anticipated. He shared a brief history of conversations regarding possible Brownfield Plan usage that did not involve capturing DEGA. Mr. Agostinelli stated that they learned that the 2 mills was being captured under the DEGA TIF Plan. Mr. Agostinelli stated that the easiest path forward is to remove the parcel from the authority and allow Brownfield to capture. Mr. Brown stated that they would not pursue this deal any further were it not fulfilling a grander scheme, as they are not making any money on this deal. The bottom level of this building at 215 E Michigan will be a restaurant.

Mayor Anderson noted that when this was presented to the City Commission for the OPRA, it was under an earlier plan. Mr. Agostinelli acknowledged that the RAP awarded amounts had not yet been released at the time of the City Commission. Attorney Wood noted that this is a step-aside plan, but the parcel will not be removed from the plan. Mayor Anderson questioned why this was not the route pursued from the beginning. Mr. Brown explained that they expected more from the RAP grant, and had they known that this would not happen, they would have pursued a more traditional route through the MEDC from the beginning. Mr. Agostinelli further explained that they did not want to continually take away funding from the DEGA, and the RAP funding would have prevented this.

It was affirmed that this has gone through the Historic Commission. Mr. Brown noted that while the building is in the historic district and has an historic foundation, the building itself has no historic credit.

Director Aardema questioned whether the upper level was in the pro forma. Mr. Brown stated that they are at the same amount of spending that was shared with the City Commission, but elements of the project have been removed. They are looking at office or residential for the upper level, but have no current use.

Director Fletcher questioned the numbers of this project. Mr. Agostinelli affirmed that it is a relatively small number (around $300,000 over the life of the project) which will be approximately 10,000-15,000/annually.

Mr. Agostinelli stated that the request is to allow the Brownfield Authority to capture all of the local millages including millages captured by the DEGA. This would be $257,000 over the life of the plan. Duration of this plan is through 2044 (21 years). Attorney Wood clarified that they are asking for the entire local capture over a 21 period.

Mr. Agostinelli noted that this is the same request that has been in front of the Board for other projects, and Mr. Brown stated that if this tool is taken away, there would be no new development downtown.

Director Brown expressed his disappointment with the lack of documents regarding what is being presented. Director Hinman affirmed that she would like a discussion regarding the greater impact of this plan and how it will affect future projects. Attorney Wood noted that a policy to discuss this needs to be developed. Director Aardema stated that these types of projects have very thin margins and are only done by local developers as there is not enough profit in the project.

Mr. Agostinelli noted that their MEDC application is on hold until there is local approval. Director Lloyd questioned the timeline should the board approve. Mr. Brown stated that the project would be done in August.

Director Fletcher noted that bringing an action item to the Board without full information puts the Board in a difficult position. Director Breneman agreed that the Board supports these types of projects in general but stated that better information could have been provided. Mr. Brown and Mr. Agostinelli apologized for not providing copies of the spreadsheets to the Board.

Ms. Kik provided copies of the spreadsheet to the Board. Mr. Agostinelli walked the Board through the information. No revenue is captured during the first five years. The Brownfield Authority will start capturing in 2029, and the clock starts in 2029. In 2034, the OPRA will be over and tax increment will begin capturing.

It was noted that this doesn't capture the baseline but the growth after a point in time. The OPRA tax abatement freezes the taxable value. The capturable period starts after the OPRA ends.

Mr. Agostinelli stated that the DEGA is currently capturing based on the growth that has occurred since 2017. This was frozen, with the OPRA, in 2023. If the DEGA steps aside, the Brownfield Authority will capture the growth above the 2023 value. That capture will occur until the reimbursable activities have been repaid and then the DEGA would capture again. It was noted that there is no loss to the DEGA. The benefit to the DEGA is that in the end, there is increased value.

Mayor Anderson asked if there was a City staff recommendation regarding this proposal. Ms. Kik stated that because the DDA is its own authority, City staff does not provide recommendations and instead passes along information to the Finance and Executive Committee. It was agreed that staff context outside of the recommendation could be provided.

It was also agreed that the DEGA Board should put a policy into place regarding this issue. There was discussion regarding possible improvements to the process regarding these types of requests.

There was discussion regarding the wording of the motion. Attorney Wood affirmed that the Board is being asked to step aside to permit Treystar to seek Brownfield. She stated that an agreement can be put together to memorialize this action and that the TIF table can be attached to the agreement.

DIRECTOR BRENEMAN MOVED THE DEGA BOARD WOULD STEP ASIDE TO ALLOW TREYSTAR TO GO TO THE BROWNFIELD AUTHORITY TO CAPTURE UP TO $275,000 IN THE NEXT 22 YEARS TO BE MEMORIALIZED BY THE ATTORNEY IN ACCORDANCE WITH THE SPREADSHEETS PROVIDED IN THE MEETING TODAY. SUPPORTED BY DIRECTOR LLOYD.

Director Fletcher noted that he was uncomfortable with requiring the attorney to draft the document and stated that he would have appreciated following the same process as other projects. Director Breneman stated that he feels the same about the process and also feels that the project is important to the downtown. Director Hinman agreed that the Board does not want to stop progress, but needs to have all of the information necessary to make a responsible decision.

There was discussion surrounding the documentation needed from the developer. A template checklist will be developed by City Staff.

MOTION CARRIES WITH ONE DISSENT.

F. PUBLIC COMMENTS

Heather Holmer, Owner of Rocket Fizz: Ms. Holmer requested information on where she could find the previous minutes from the DDA/DEGA meetings.

G. DIRECTOR'S COMMENTS

1. Director Fletcher stated that it is a reasonable expectation that a developer comes prepared to the meetings. He affirmed that a policy is needed.
2. Mayor Anderson questioned what the timeframe is for policy development. Director Lindemann noted that the bylaws were voted on at the last meeting and policies will be the focus. Assistance will be provided by legal counsel.
   Mayor Anderson stated that the Kalamazoo Marathon has provided some helpful comments on how to improve and wondered where this feedback can go. Ms. Kik stated that she has already provided communication to other entities regarding this.

3. Director Lloyd stated that he is happy to be part of these groups and to be able to have these conversations.
4. Director Aardema stated that he appreciates the opportunity to be on the Board. He affirmed that a template for the developer would be helpful. He stated that he appreciated the work by City staff to catch the board up during the meeting today. Director Aardema affirmed the good work of local developers.
5. Director Brown welcomed the new members to the board and welcomed Chair Lindemann to the Chair. He thanked the past Chair, Director Fletcher for his past service as Chair of the Board. He thanked City Staff for their assistance.
6. Director Lindemann stated that she appreciated everyone's participation in this process.

H. CLOSED SESSION

DIRECTOR BRENEMAN MOVED TO ENTER INTO CLOSED SESSION UNDER MCL 15.268(1)(h) TO DISCUSS A PRIVILEGED LEGAL OPINION. DIRECTOR AARDEMA SECONDED. NO OBJECTIONS. MOTION CARRIED.

ROLL CALL VOTE:

Mayor David Anderson - Yes
Curt Aardema - Yes
Jeff Breneman - Yes
Carl Brown - Yes
Grant Fletcher - Yes
Stephanie Hinman - Yes
Susan Lindemann - Yes
Clarence Lloyd - Yes

DIRECTOR BRENEMAN MOVED TO EXIT THE CLOSED SESSION. DIRECTOR LLOYD SECONDED. NO OBJECTIONS. MOTION CARRIED.

I. ADJOURNMENT

DIRECTOR LINDEMANN ADJOURNED THE MEETING AT 5:09 P.M.