

GENOA CHARTER TOWNSHIP BOARD
Special Meeting
February 24, 2016

MINUTES

Supervisor McCririe called the special meeting of the Genoa Charter Township Board to order at 1:00 p.m. The Pledge of Allegiance was then said. The following persons were present constituting a quorum for the transaction of business: Gary McCririe, Robin Hunt, Linda Rowell, Jim Mortensen, Todd Smith and Jean Ledford. Also present were Township Manager Michael Archinal, Township Assistant Manager Kelly VanMarter, Dr. Marlo Rencher, Executive Director, Center for Innovation and Entrepreneurship, Cleary University, Pat McGow, Principle with Miller, Canfield, Paddock and Stone and two persons in the audience.

A call to the public was made with no response.

Township Manager Mike Archinal addressed the Board and explained that a Local Development Finance Authority (LDFA) allows the use of tax increment financing to fund public infrastructure improvements. Tax increment financing or TIF allows a local government to freeze the tax base within a specific district and uses the revenues generated by reassessment or new development to finance selected improvements within the district. SMART Zones are specially created LDFA's designed to spur the growth of technology related or research oriented businesses and employment opportunities.

Last July Governor Snyder signed HB 4226 into law. This legislation allowed for the creation of nine SMART zone satellites. SMART Zones have a 15 year sunset. If a parent SMART zone establishes a satellite this sunset is extended another 15 years. Sterling Heights established their SMART Zone in 2008. They are seeking to extend their term. The Michigan Economic Development Corporation requires applications for the nine expanded zones by July of 2016.

This concept was first discussed a couple of years ago when Ann Arbor was seeking a satellite. The cities of Brighton and Howell made application. The Township was not included because it did not have an existing LDFA. Their application was not successful in part because there was no university presence in their jurisdictions.

When the Township was approached by Sterling Heights last October the intent was to include Genoa Township and the Cities of Brighton and Howell. One of the quirks in the statute is that multi-jurisdictional LDFA's have to be approved by the County Board of Commissioners which may present a challenge. Also the MEDC and Department of Treasury are not necessarily enamored with the SMART zone legislation. Expanding the proposed district to include three jurisdictions may have an adverse impact on the application. Sterling Heights doesn't really care who they take to the dance. Their primary goal is to extend their sunset.

The salient point of the SMART zone legislation for us is that the other taxing entities are not allowed to opt out as they could under a regular LDFA. School operating and state education taxes are captured at 50% above the base year. The schools are made whole by the State. This is one reason why the Department of Treasury is not overjoyed by large districts.

How the revenue created by the SMART zone TIF will be distributed would still need to be determined. The entire capture would not accrue to Genoa. The Cleary University portion would help fund business innovation, incubation and technology. These factors are the prima facie reason for SMART zones. It seems to me that the more resources we dedicate to Dr. Rencher's efforts the more successful our application will be.

Dr. Rencher describes that the State is not creating any new SMART zones and only satellite SMART zones are being allowed. It is unclear if the SMART zone program will be extended after this round so opportunities to participate are very limited. The SMART zone would provide an opportunity to partner with Sterling Heights and try to build upon their successes. Sterling Heights is the center of advanced manufacturing for defense and automotive purposes and supports 20% of the world's workforce in the industry.

There are many existing programs in the County and at Cleary University that can be enhanced with funding from the SMART zone. Cleary currently facilitates the "Leg Up Livingston" and has an existing business incubator that supports 12 start-ups. Cleary currently offers an MBA program in Analytics and Innovation Technology and they have the unique ability to be flexible and tailor programs to help local companies grow. With the help of the SMART zone Cleary hopes to focus efforts on workforce development, corporate innovation and start-up assistance.

Kelly VanMarter reviewed the draft SMART zone district boundaries and discussed the development potential within the area. The proposed district has Cleary University at the center and encompasses 325 parcels on 1,656 acres. Within the area, it is estimated that 60% of the land is either vacant or has opportunity for redevelopment. The draft SMART zone area was created to help make some assumptions and to create a pro forma in an attempt to forecast possible capture amounts.

Mike Archinal presented the draft pro forma showing what the possible tax capture could mean over the term of the SMART zone. A modest 5% growth value was used to extrapolate the data and project the capture values.

Trustee Mortensen questioned how the Fire Department would be impacted by this concept as an example. He questioned if they would participate in the revenue from growth. Pat McGow responded that they would not share in the growth within the district area for the term of the zone. Trustee Rowell is encouraged that this could be used to help fund infrastructure and to attract businesses to the area. Trustee Mortensen is troubled by the loss of 15 million dollars in revenue to the local taxing authorities over the course of the 15 years. Mr. McGow clarifies that since the school districts are made whole by the state, the impact on the locals is actually much less. In the pro forma presented today, the schools portion of the capture is around 10 million which will remain funded through the State so the impact on the locals is actually around 5 million over the 15 years.

Trustee Smith indicated that he is supportive of this concept and would like to see it go forward. Trustees Mortensen and Rowell and Treasurer Hunt indicate they are supportive of the Township making application on its own. Trustee Mortensen would need a clearer idea of how the money is spent and who decides what it is spent on. Supervisor McCrie believes that this would help the incubator and would help foster a great relationship between the Township and Cleary University. He would like

to see the concept move forward with some additional details being provided about the logistics. Treasurer Hunt asks for a layout of what the intentions of the SMART zone would be.

Trustee Mortensen asked about who decided who the board of directors is and wants to see a business plan that details how the money would be spent. He is cautious about any financial or legal risks associated with doing this.

2:02 pm – Trustee Smith is excused from the meeting.

Mr. Pat McGow explains that he is a public finance attorney and has worked extensively with LDFAs. The LDFA Board of Directors has 11 members, 7 of which are appointed by the Township Board. The remaining members are to consist of 1 County representative, 1 University representative, and 2 representatives from the Schools. The LDFA Board is responsible for dispersing the funds acquired from the district. The LDFA plan and budget must be approved by the Township Board. The LDFA can issue bonds with the Township's full faith and credit and the increment can be used to pay debt.

Trustee Rowell asked what the downside to the Township could be. Supervisor McCririe responded that the tax increment revenue can only be used in the district area and is not available Township wide. Pat McGow states that the characterization that the taxing entities are taking a loss isn't really accurate because it is more a projected loss than an actual loss. The key is that the growth that is occurring to generate the increment wouldn't come unless the SMART zone was in place to help drive the growth. In theory, these entities are made whole when financing ends and the values of properties have increased.

Trustee Mortensen asked when they can change their mind if they decide not to proceed. Mr. McGow responded that after the application is due it will take another 6-9 months to create the district and the plan so you are likely looking at early 2017 before you would be getting a plan approved. The steps involved are to first create the district by defining its boundaries, and then you establish the Board followed by creating the plan.

Trustee Ledford asked if the LDFA Board Members can also be members of the Township Board. Mr. McGow confirms that it can be the same members but it is not necessarily recommended.

Township Manager Mike Archinal thanked the Board for their support and indicated that he would proceed by working with Sterling Heights on the application.

Moved by Ledford, support by Mortensen to adjourn the special meeting of the Genoa Charter Township Board at 2:24 p.m.

Minutes submitted by:

Kelly K. VanMarter