BOARD OF DIRECTORS SPECIAL MEETING
July 9, 2018
5:30 PM

Auburn Hills City Hall, Administrative Conference Room • 1827 N. Squirrel Road, Auburn Hills, MI 48326
Minutes of the DDA Board Meeting will be on file in the City Clerk’s Office • 248-370-9402

MEETING CALLED TO ORDER

1) ROLL CALL

2) PERSONS WISHING TO BE HEARD

3) NEW BUSINESS
   a) Resolution – Agreement by and Between the Auburn Hills Tax Increment Finance Authority & the Auburn Hills Downtown Development Authority

4) BOARD MEMBER COMMENTS

5) ADJOURNMENT
TO: Chairman Young and Members of the DDA Board of Directors
FROM: Samantha Seimer, Director of Authorities, DDA Executive Director
DATE: July 3, 2018
SUBJECT: Resolution - Agreement by and Between the Auburn Hills Tax Increment Finance Authority & the Auburn Hills Downtown Development Authority – Loan from TIFA (TIF District B) to DDA to Provide Development Incentive

INTRODUCTION AND HISTORY
It is the inherent legislative goal of both the DDA and Tax Increment Finance Authority to encourage economic development and encourage neighborhood revitalization. Throughout the last several years, many projects have been approved within both the DDA and TIF Districts throughout the community but have had difficulty with the economic feasibility of the project. Most recently, fourteen new townhomes have been proposed and site planned by Robertson Bros. on a parcel of land along Squirrel Court.
The developer has received City site plan approval to build, however, they have determined that the economic feasibility to proceed with the development of the project does not exist. As a result, the City has creatively developed a plan to address the financial gap and help the developer achieve his goals of producing a for-sale product in downtown Auburn Hills.

The current financial gap has been identified as $20,000 per unit or, $280,000 for the development. While the DDA is not currently in a position to offer a large financial incentive at this time, an incentive or $160,000 could be managed by borrowing funds from TIF District B to be repaid over four years at 3% interest. The total payback for the incentive would be $169,992 in year 2022. It is important to note that while repaying the loan for four years, the DDA will continue to capture tax increment revenue on this newly developed parcel, which may subsequently bolster the other development projects which have been on hold in the DDA as well as it will place residents within walking distance of Downtown Auburn Hills.

**PA 450 of 1980 – Tax Increment Finance Authority**

125.1807 (i) Improve land, prepare sites for buildings, including the demolition of existing structures and construct, reconstruct, rehabilitate, restore, and preserve, equip, improve, maintain, repair, and operate any building, including any type of housing, and any necessary or desirable appurtenances thereto, within the development area for the use, in whole or in part, of any public or private person or corporation, or a combination thereof.

**PA 197 of 1975 – Downtown Development Authority**

125.1657 (i) Improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, and operate any building, including multiple-family dwellings, and any necessary or desirable appurtenances to that property, within the downtown district for the use, in whole or in part, of any public or private person or corporation, or a combination of them.

An additional memorandum from City Manager, Thomas Tanghe is provided for your review and consideration.

**STAFF RECOMMENDATION**

City attorney and staff have reviewed the resolution and controlling state statute for Downtown Development Authorities’ and Tax Increment Finance Authorities and recommend approval of the attached resolution.

**An appropriate motion is:**

Move to adopt the attached Resolution Agreement by and Between the Auburn Hills Tax Increment Finance Authority & the Auburn Hills Downtown Development Authority for a Loan from TIF District B in the amount of $160,000 to the Downtown Development Authority to be provided to Robertson Bros. Builders as a cash grant incentive for fourteen townhomes located within the DDA District of the City of Auburn Hills. The Loan is to be paid back beginning the first quarter of 2019 through 2022 at a 3% interest rate for a total payback of $169,992. Furthermore, recommend resolution to the Tax Increment Finance Authority.
TO: Samantha Seimer, Director of Authorities

FROM: Thomas A. Tanghe, City Manager

DATE: June 14, 2018

SUBJECT: Loan from TIFA (TIF District-B) to DDA to Provide Development Incentive

As provided for in the DDA and TIFA legislations, the entities may provide financial assistance by way of loans or grants to further the cause of economic development. I am writing you today to initiate a loan from the TIFA to the DDA for a development in the DDA District that requires incentives in order to proceed.

After site planning a very challenging property for fourteen new townhomes that will be offered for sale on a parcel of land on Squirrel Court in our downtown and located within the DDA District, Builder/Developer Robertson Bros. has determined that the economic feasibility to proceed does not exist. While they believe strongly in the site and the product that they have proposed and for which they have received City site plan approval to build, they do not believe that the sale of their product is profitable based on the sales prices they can achieve in the downtown Auburn Hills market.

As a result, City staff has sought information to address the gap. The gap has been identified as $20,000 per unit, or $280,000 for the development. While the City does not believe that its DDA is in a position to offer a financial grant of that size at this time, we do believe that an incentive in the amount of $160,000 could be managed by the budget of the DDA, by borrowing the funds from the TIFA, and more specifically TIF District-B, with a repayment over four years at 3% interest.

Controlling statute in this case is nearly duplicative in each of the public acts governing both TIFA’s and DDA’s and is provided as follows: “Improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, improve, maintain, repair, and operate any building, including multiple-family dwellings, and any necessary or desirable appurtenances to those buildings, within the development area for the use, in whole or in part, of any public or private person or corporation (emphasis added), or a combination thereof.

The attached resolution, if adopted by both bodies, the TIFA Board of Directors and DDA Board of Directors, will allow the development to move forward with an expected groundbreaking as early as September 2018. The grant would only be awarded by the DDA upon the Robertson Bros. roughed-in completion of one entire section of townhomes, likely no later than first-quarter of 2019. The loan repayment schedule from the DDA to the TIFA shall be as follows:
four equal annual payments beginning first-quarter 2019 and each subsequent first-quarter in 2020, 2021, and 2022. The repayment schedule, with interest, is clearly defined in the attached resolution.

I am happy to attend your next DDA and TIFA Board meetings in order to fully explain the details of this request and would highly recommend the attendance of Jim Clarke, President of Robertson Brothers Homes at the meeting of the DDA. This is a very early opportunity to put the DDA’s economic influence to work by leveraging its limited financial resources to incent its very first development project, placing new residents in walking distance to all that Downtown Auburn Hills has to offer.
AGREEMENT

By and Between the Auburn Hills Tax Increment Finance Authority & the Auburn Hills Downtown Development Authority

WHEREAS, Robertson Bros. Builders proposes to build fourteen townhomes to be made available for sale on property located on Squirrel Court and located within the DDA District of the City of Auburn Hills, and

WHEREAS, a part of the development is also located within TIF District-A on the westerly edge of the Robertson Bros. development site, and

WHEREAS, this infill development has additional challenges such as excessive retaining wall and underground detention that make it challenging and more costly to construct, and thus pushing potential sales prices beyond what market studies indicate are the range for this product in the downtown Auburn Hills market, and

WHEREAS, an incentive is offered in the form of a cash grant to assist in off-setting these additional site improvement expenses that make the development cost-prohibitive, and

WHEREAS, the Auburn Hills Tax Increment Finance Authority, utilizing funds from its TIF District-B, is willing to lend to the DDA and the DDA is willing to receive an amount of $160,000 to assist in providing a grant to Robertson Bros. Builders to address the excessive land development costs, and

WHEREAS, such loan will be made from the TIFA to the DDA in the fourth-quarter of 2018, and subsequently paid in the form of a grant to Robertson Bros. upon completion of the rough-in of the first entire section of units it will build, and

WHEREAS, beginning in the first quarter of 2019 and subsequently each of the first quarters of 2020, 2021 and 2022, the DDA will make a loan payment back to TIF District-B in four equal annual installments with 3.00% interest in the amount of $42,498, with a total payback of $169,992, with full repayment obligation being met in first-quarter 2022, at which time there shall be no further obligation of any kind whatsoever from the DDA to the TIFA and the debt fulfilled.

THEREFORE BE IT RESOLVED that upon execution of this Agreement, the DDA and TIFA are bound by its terms and City staff shall execute its provisions as contained herein.

BE IT FURTHER RESOLVED that the terms and conditions as stated herein are between the original parties to this Agreement, including Robertson Bros. as the grant recipient, and are not transferable.

The parties below, who have affixed their signatures hereto, are duly authorized representatives on behalf of their respective agencies.

ON BEHALF OF THE TIFA

Patrick Hassett
Its: Chairman of the Board of Directors

ON BEHALF OF THE DDA

John Young
Its: Chairman of the Board of Directors
January 16, 2018

Re: Citizen Participation Letter for Riverside Townes Condominiums

Dear Neighbor,

In accordance with the City of Auburn Hills’ Citizen Participation Ordinance, we are notifying you that a development application has been submitted to the City of Auburn Hills to develop the vacant one acre parcel of land located on the north side of Squirrel Court just east of Riverside Park. It is our intent to construct three townhouse style condominium buildings totaling 14 units. The southwestern most building will contain three units, the southeastern most building will contain four units and the northern most building will contain seven units. Each unit is approximately 1,184 square feet in size and will have an attached one-car garage.

We believe this project is designed in a manner that will be aesthetically pleasing with the surrounding developments in the area. The site’s landscape has been designed to provide an aesthetically pleasing appearance for those passing by along Squirrel Court as well as those paddling by along the Clinton River. The site is also designed to maintain the existing tree canopy along the Clinton River to help preserve and protect the City’s urban cold water fishery that continues to grow in popularity.

To help provide a better understand of our proposal, we have included a preliminary layout of the proposed development and drawings of the building facades on the back of this page.

The City of Auburn Hills Planning Commission is scheduled to review the development application on Wednesday, February 14, 2018. If you have any questions, concerns, or comments please do not hesitate to contact me directly at 248-282-1428. If you wish to speak with a city representative, please contact Shawn Keenan, Assistant City Planner at 248-364-6926.

Kind regards,

Tim Loughrin
Manager of Land Acquisition
Proposed Riverside Townes

Any modifications to the facade plan (including color) must be submitted to the City of Auburn Hills for revised approval. The use of masts, flags, or any other types of unapproved signage shall be prohibited per site plan review.