Approved

CITY OF YPSILANTI
SPECIAL COUNCIL MEETING MINUTES
CITY COUNCIL CHAMBERS – ONE SOUTH HURON ST.
YPSILANTI, MI 48197

THURSDAY, OCTOBER 8, 2015
7:30 A.M.

I. CALL TO ORDER –

The meeting was called to order at 7:35 a.m.

II. ROLL CALL –

Council Member A. Brown	Present	Council Member Robb	Present
Council Member N. Brown	Present	Council Member Vogt	Present
Council Member Murdock	Present	Mayor Edmonds	Present
Mayor Pro-Tem Richardson	Present		

III. INVOCATION –

Mayor Edmonds asked all to stand for a moment of silence.

IV. PLEDGE OF ALLEGIANCE –

"I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

V. INTRODUCTIONS –

None

VI. AUDIENCE PARTICIPATION-

None

VII. REMARKS BY THE MAYOR –

None

IX. RESOLUTIONS/MOTIONS/DISCUSSIONS

1. Resolution No. 2015-231, granting an underground easement through Riverside Park to DTE Energy.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, DTE Energy has installed above-ground, overhead electrical wires across the southern portion of City-owned Riverside Park due to an emergent situation with the system; and

WHEREAS, both the City and DTE Energy are interested in converting these temporary overhead wires to permanent underground lines; and

WHEREAS, both parties are interested in this work being completed as quickly and professionally as possible; and

WHEREAS, it is necessary that the City grant DTE Energy a permanent, non-exclusive, underground easement to begin and complete this work;

BE IT FURTHER RESOLVED THAT the Mayor and City Clerk are authorized to sign the attached easement on behalf of the City of Ypsilanti, subject to the approval of the City Attorney.

OFFERED BY: Council Member Nicole Brown
SUPPORTED BY: Mayor Pro-Tem Richardson

City Manager Ralph Lange stated DTE was experiencing severe issues with the Downtown substation off of Huron Rd. Mr. Lange stated during the winter the line needed to be replaced and the City granted permission to replace the failing underground lines with overhead lines. Mr. Lange explained the agreement was only temporary and as a part of other negotiations this easement was developed. Mr. Lange stated the underground electric grid for Water Street will cost around $1 million and as a part of this negotiation the cost to the City will be reduced by $250,000 and the contract for that will be completed in the next two weeks. Mr. Lange explained the underground electric grid must be in the ground before construction on the recreation center can begin.

DTE Project Manager Derrick Sanborn stated there are a certain set of guidelines set by the Michigan Public Service Commission for the underground grid for Water Street. Mr. Sanborn stated originally Water Street was supposed to have a manhole every 600 feet and a certain amount of ducts in the duct bank. Mr. Sanborn said in order to get around that there will be overhead electric on the very east side and very west side of Water Street so DTE will build up a little but it will only be three poles on either side. Mr. Sanborn stated the underground will be a line with no connections and the benefits are that it will require very little maintenance. Mr. Sanborn stated the connections for the customer will come from the overhead electric which will alleviate a huge upfront cost. Mr. Sanborn stated with the construction of the Family Dollar a circuit was created that can hold half the load of Water Street which can be tapped into at any point for new construction.

Mayor Pro-Tem Richardson asked for clarification of how customers will be connected. Mr. Sanborn responded everything is fed through above ground electric essentially and then it goes underground he said the underground will be a straight line and on either side of Water Street there will be above ground. Mr. Sanborn stated there is a pole across the River so a lead is already present and that is what the power will be pulled from. Mr. Sanborn stated the $750,000 will be used to remove all the overhead lines from Water Street and installing one line underground.

Council Member Vogt asked how many poles will there be on the Water Street property. Mr. Sanborn responded two next to the river. Mr. Vogt asked where the crossing will be. Mr. Lange responded at Parsons. Economic Development Director Beth Ernat added the pole is already there and feeds over to Catherine and it would not be cost effective to go under the River.

Council Member Robb stated the easement is written for the entire side of the park and asked why the easement allows for 20 feet on either side of pole. Mr. Sanborn responded that the language normally states that. Mr. Robb responded the legal description is the entire side of the park. Mr. Lange

responded Assistant City Attorney Dan DuChene worked on this easement and a decision needed to be made rather than abandon the original easement or amend it. Mr. Lange said it was determined that both lines would be kept so the easement is a little more expansive. Mr. Sanborn added there is still three feeders from the existing easement the future easement will only have one and the above ground will never have to be touched again.

Council Member Robb asked for clarification on the performance bond. Mr. Sanborn stated DTE adds those to any construction project. Mr. Robb stated whenever it happens he wants to make certain the City will be protected and the $10,000 listed will not protect the City. Mr. Robb asked how the park would be brought back to its original condition. Mr. Lange responded normally there are not contracts at all which is why so much time was spent in negotiations and considering all the other DTE projects he would hope that the work would be done properly. Mr. Robb stated Council and staff are supposed to protect the City and he would like more than hope and what will the City do if it is not repaired to Ypsilanti's standards.

Council Member Vogt stated there are lines going across Water Street that connect to other places which will be going underground but there will be now connections off of that line. Mr. Lange responded he believes that is correct.

Mayor Edmonds stated the proposed location in the park is a place that sees issues with flooding and asked how that will relate to this easement. Mr. Sanborn responded he was unaware of that problem and said that every time a waterway is crossed it must be approved by the Department of Environmental Quality (DEQ). Mr. Sanborn added the DEQ has approved of this easement and elevation studies are completed as a part of that process. Ms. Edmonds stated the area that experiences flooding is not by the bank it is in the middle of the park. Mr. Murdock stated it is a low area in the park and when the river over flows it becomes almost a lake in the park. Mr. Lange stated a conduit is being installed, not bear wires which are why the last ones failed. Mr. Sanborn stated the line has to be in ductbank which is made out of concrete and conduit. Mayor Edmonds asked how deep the ductbank will be. Mr. Sanborn responded twelve feet. Ms. Ernat stated by granting an easement does not preclude the City from doing anything in that area to help with the flooding and anytime there is construction there should be a miss dig to see where the lines run. Mr. Sanborn stated all the easement protects DTE and a trunk line is a little different because it doesn't feed just one customer it feeds an entire neighborhood and an easement would protect DTE assets. Mr. Sanborn stated the City can put anything there that it wants to. Ms. Edmonds stated she is not worried about that aspect of it her concern is the City needs to be done that requires digging but if it is that deep it may not be a problem.

Mayor Pro-Tem Richardson asked if property owners are compensated for having transformers on their property. Mr. Sanborn responded no. Ms. Ernat responded they are normally in the utility right-of-way. Mr. Sanborn stated they used to be in back lots but that changed in the 1980's.

Council Member Robb asked how many segments of path will be torn up. Mr. Sanborn responded one segment will be torn up. Mr. Lange stated OHM will review this project also.

On a roll call, the vote to approve Resolution No. 2015-231 was as follows:

Council Member N. Brown	Yes	Council Member Robb	Yes
Council Member Murdock	Yes	Mayor Edmonds	Yes
Mayor Pro-Tem Richardson	Yes	Council Member Vogt	Yes
Council Member A. Brown	Yes		

VOTE:

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

2. Resolution No. 2015-223, approving New Obsolete Property Rehabilitation Act Exemption for 13 N. Washington Street at First Reading.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the Obsolete Property Rehabilitation Act, Public Act 146 of 2000 (the "Act"), provides for a tax incentive to encourage the redevelopment of obsolete buildings through the establishment of an Obsolete Property Rehabilitation District; and

WHEREAS, pursuant to PA 146 of 2000, the City of Ypsilanti is a Qualified Local Governmental Unit eligible to establish one or more Obsolete Property Rehabilitation Districts; and

WHEREAS, the Council of the City of Ypsilanti legally established an Obsolete Property Rehabilitation District that includes parcel #11-11-40-484-018 (13 N. Washington) as part of a broader district including the three DDA districts on June 5, 2012 after a public hearing held on the same date as provided by section 3 of Public Act 146 of 2000; and

WHEREAS, the combined parcel at 13 N. Washington has been certified functionally obsolete by the City Assessor per P.A. 146 in February 2014; and

WHEREAS, the application relates to a rehabilitation program that when completed constitutes a rehabilitated facility within the meaning of Public Act 146 of 2000 and that is situated within an Obsolete Property Rehabilitation District established in the City of Ypsilanti eligible under Public Act 146 of 2000 to establish such a district; and

WHEREAS, the owners of the above referenced parcels, North Washington, LLC have submitted an application for an obsolete property as defined in section 2(h) of Public Act 146 of 2000 requesting an exemption for a period of 12 years as a function of the Act; and

WHEREAS, the application included all of the items described under "Instructions" (a) through (f) of the Application for Obsolete Property Rehabilitation Exemption Certificate; and

WHEREAS, North Washington, LLC are not delinquent in any taxes related to the facility; and

WHEREAS, the owners of the above referenced parcel have proposed to rehabilitate currently vacant, blighted, and functionally obsolete structure into commercial co-working space; and

WHEREAS, the commencement of the rehabilitation of the facility did not occur before the establishment of the Obsolete Property Rehabilitation District; and

WHEREAS, the taxable value of the property proposed to be exempt plus the aggregate taxable value of property already exempt under Public Act 146 of 2000 and under Public Act 198 of 1974 (IFT's) does not exceed 5% of the total taxable value of the City of Ypsilanti; and

WHEREAS the rehabilitation includes improvements aggregating approximately 100% of the true cash value of the property at commencement of the rehabilitation as provided by section 2(l) of Public Act 146 of 2000.

WHEREAS the completion of the rehabilitated facility is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to, increase commercial activity, create employment, increase commercial activity, and revitalize urban areas in the community in which the facility is situated.

WHEREAS, the application was approved at a public hearing as provided by section 4(2) of Public Act 146 of 2000 on October 6, 2015; and

WHEREAS, the DDA has not opposed the issuance of OPRA certificate.

NOW, THEREFORE, BE IT RESOLVED THAT the Obsolete Property Rehabilitation Exemption for a period of 12 years for the real property, excluding land, located in the Obsolete Property Rehabilitation District which include parcel #11-11-40-484-018 (13 N. Washington) pursuant to the provisions of PA 146 of 2000, as amended, subject to completion of the renovations and awarding of full building certificate of occupancy by July 31, 2016, the final approval of exemption certificates by the State Tax Commission, and to the taxes on the property being paid on time be approved on First Reading.

OFFERED BY: Council Member Murdock
SUPPORTED BY: Council Member Anne Brown

Economic Development Director Beth Ernat stated Council has received the information requested by email. Ms. Ernat stated the building owners are present to answer any question Council might have. Ms. Ernat added the owners have applied for CRP funds from the Michigan Economic Development Corporation (MEDC) and CRP funds do require a municipal contribution. Ms. Ernat explained part of this application is being made to meet that contribution standard.

Council Member Robb stated the proforma asks for detailed construction costs and they are not included. Mr. Robb stated the memo states renovations costs total $1.4 million with $200,000 as an investment to date and an additional $1 million in renovations. Mr. Robb asked if the memo included the cost of the acquisition of the building. Ms. Ernat responded the $400,000 in costs were for the roof repairs and emergency renovations. Mr. Robb stated Council was not given a proforma it was provided three years of operating expenses which include a lot of soft costs that are not OPRA eligible. Mr. Robb explained if the soft cost are removed this becomes a seven and a half year OPRA.

Mr. Robb added he wants to approve this today but he wants it to be right and based on the $1.4 million in renovations raises the taxable value to $87,000. Mr. Robb stated realistically at the end of twelve years this building will be worth around $600,000 which diminishes the value of the OPRA. Mr. Robb stated he would prefer Ms. Ernat amend the OPRA from twelve years to eight rather than for him to

amend it. Mr. Robb stated the OPRA could be approved for eight years and renewed if needed. Mr. Robb asked Ms. Ernat's opinion on what she feels the length of the OPRA should be. Ms. Ernat responded when OPRA was created it was done because building such as this one are not going to achieve value based on the construction costs needed to bring them to usable fashion. Ms. Ernat said this building is a small building in a prime location and if nothing is done to this building it would continue to suffer devaluation. Ms. Ernat said she was asked by a Council Member before the meeting why the building value is so low and her response was because the market tanked in 2008, the roof deteriorated, the building was deemed dangerous, and the disinvestment in the surrounding buildings. Ms. Ernat added the building's size also has affected the value of the building. Mayor Edmonds asked what the size of the building is. Ms. Ernat responded 9,000 square feet. Ms. Ernat stated she is going to continue to recommend approving the twelve year OPRA because this is hopefully part of a larger investment in that block and will assist in changing how North Washington appears. Ms. Ernat said yes a precedent is being set but the applicant is still spending $1.4 million and those costs are not going to be recouped by the OPRA and the City will not recoup the property taxes lost.

Mayor Edmonds stated the business plan is examined to understand how the building will become operational which is different than what costs are OPRA eligible. Ms. Edmonds stated Council needs to ensure the business will not fall apart quickly and there are two reasons to look at those numbers. Council Member Robb responded that is not true and said it should not matter what business goes in there or how viable it is because that is not the scope of Council. Mr. Robb stated the ask for a twelve year OPRA is a mathematical problem and said the intent of an OPRA is to take a project that is normally not feasible and make it feasible. Mr. Robb stated that feasibility in this is $40,000 not $70,000 and if it is approved for twelve year the applicant would get $30,000 for free. Ms. Ernat responded the enabling legislation allows for the City to not exceed 10% of the total cost and the twelve year award is well within the enabling legislation. Ms. Ernat stated their soft costs can be argued because it is an office setting but would the same argument be made if it was for a manufacturing facility. Mr. Robb responded this is setting a precedent and if a manufacturing company wanted to purchase the Ford plant and wanted to consider the cost of employees and in their OPRA application he would consider those items as non-eligible.

Council Member Robb stated the math says this OPRA should be seven and a half years and people are not happy that the City offers OPRAs in the first place. Mr. Murdock stated he feels OPRAs are a valuable tool but he does not want to show that they are so valuable that the City gives above and beyond of what is required and showed in the proforma.

Council Member Anne Brown asked if the other OPRAs awarded in the City were approved at eight years. Mr. Robb responded no, it has nothing to do the amount of years what it has to do with is the OPRA being as long as needed to recoup the money to make it a viable business. Mr. Robb explained the Mac and Mac project the City approved an OPRA for was a $2 million project. Mr. Robb said in order to make Mac and Mac viable around $240,000 was needed to be captured worth of OPRA which is why they were approved for twelve years. Mr. Robb stated Mac and Mac will not be able to recoup the entire amount of their investment and for this project Council is discussing giving them $30,000 over their investment. Mr. Robb stated tax incentives are useful but he does not want to go above and beyond the value.

Ms. Ernat stated this business is in the core of downtown and a building that will be bringing in multiple beneficiaries. Council Member Robb agreed but the only concern should be with the building. Ms. Ernat stated there will be additional buildout costs and tenant improvements and the proforma could be restructured to include those investments. Ms. Ernat said the hard construction costs and the lack of growth in that area is a building that would not be rehabbed. Mr. Robb agreed but it is not $70,000 worth of an OPRA it is $41,000 and it is about the numbers because that is how OPRAs are managed. Ms. Ernat stated her analyzation is beyond the math and she is looking at the affect this will have on the rest of the block. Ms. Ernat stated since this began a building on that street has improved its façade and a new business opened across the street. Ms. Ernat stated the effect on the surrounding area is the

reason why the City would offer tax incentives. Mr. Robb stated there have been a lot of good neighbors Downtown that have fixed up their buildings and were not approved for an OPRA.

Mayor Edmonds stated this is a key strategic investment related to that block. Mr. Robb responded the OPRA is the key strategic investment not the additional $30,000 that is a discretionary change and the point of an OPRA is making an unviable project viable.

Council Member Murdock stated one caveat is there needs to be a certificate of occupancy by July 2016. Ms. Ernat responded in the affirmative. Mr. Murdock asked for clarification of what that actually means. Ms. Ernat responded it means the applicant would need a certificate of occupancy for the building. Mr. Murdock asked what would happen if the applicant does not have a certificate of occupancy by that deadline. Ms. Ernat responded the City would be able to revoke the OPRA or revisit it. Mr. Murdock stated Council has never revoked an OPRA such as seen with the Thompson Block. Ms. Ernat responded that is at Council's discretion.

Council Member Anne Brown asked what Ms. Ernat's hesitation of reducing the OPRA to eight years. Ms. Ernat responded she is willing to reduce it to eight years but she does feel the estimate provided to Council is low. Ms. Ernat stated the building to the north has been purchased and part of it has a tentative lease on it and there has been additional investment to the neighborhood. Ms. Ernat speculated the taxable value of the building will increase higher than what was projected. Ms. Ernat stated if Council approves this OPRA for eight years she would highly recommend it be reopened to twelve. Mr. Robb agreed it is a conservative estimate and said if the taxable value was much higher it would shrink the OPRA out of eligibility.

Council Member Murdock suggested making a compromise to decrease length of the OPRA to ten years. Mr. Robb stated to negotiate this is to negotiate with math. Mr. Murdock interjected he is not negotiating with math he is looking at politics and counting votes. Mr. Robb stated he is willing to approve it for eight years with the possibility of extending it for four more.

Council Member Vogt asked City Attorney Barr if Mr. Robb's proposal is legally more appropriate than the request of the twelve year proposal. Mr. Barr responded there is no legal issue with approving a twelve year OPRA.

Mayor Edmonds stated she would rather approve the OPRA as proposed.

> Council Member Robb moved, supported by Council Member Vogt, to amend the OPRA and shorten the length from twelve years to eight years including the possibility of a reopening to twelve years.

Ms. Ernat stated her concern is that incentives can be taken away such as renaissance zones and she cannot guarantee an OPRA will be available in eight years.

City Manager Lange stated he supports the approval of the twelve year OPRA 100%. Mr. Lange stated this is an anchor tenant and the City has the capacity to approve this OPRA. Mr. Lange stated this is economic development driving other businesses in Downtown Ypsilanti. Mr. Lange stated the sale price Water Street property is $350,000 and if there is a business that Ypsilanti really wants at this location it might be given a discount. Mr. Lange stated he sees this as a direct impact of what the City is trying to accomplish.

Mayor Edmonds stated there are so few tax incentives tools for the City to employ and they are used with discretion based on the project and strategy related to economic development. Ms. Edmonds stated because of that she supports the approval at twelve years.

Council Member Anne Brown stated moving forward she would like the documentation Council Member Robb requested. Ms. Ernat responded she will provide that for future OPRAs.

On a roll call, the vote to amend Resolution No. 2015-223 was as follows:

Council Member N. Brown	No	Council Member Robb	Yes
Council Member Murdock	No	Mayor Edmonds	No
Mayor Pro-Tem Richardson	No	Council Member Vogt	Yes
Council Member A. Brown	No		

VOTE:

YES: 2NO: 5 (Edmonds, Richardson, Anne Brown, Nicole Brown, Murdock) ABSENT: 0
VOTE: Failed

Council Member Murdock moved, supported by Council Member Anne Brown to amend the OPRA and shorten the length from twelve years to ten years including the possibility of a reopening to twelve years.

On a roll call, the vote to amend Resolution No. 2015-223 was as follows:

Council Member N. Brown	Yes	Council Member Robb	Yes
Council Member Murdock	Yes	Mayor Edmonds	No
Mayor Pro-Tem Richardson	Yes	Council Member Vogt	Yes
Council Member A. Brown	Yes		

VOTE:

YES: 6 NO: 1 (Edmonds) ABSENT: 0 VOTE: Carried

On a roll call, the vote to approve Resolution No. 2015-223 as amended was as follows:

Council Member N. Brown	Yes	Council Member Robb	Yes
Council Member Murdock	Yes	Mayor Edmonds	Yes
Mayor Pro-Tem Richardson	Yes	Council Member Vogt	Yes
Council Member A. Brown	Yes		

VOTE:

YES: 7 NO: 0 ABSENT: 0 VOTE: Carried

Resolution No. 2015-223 as approved.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

WHEREAS, the Obsolete Property Rehabilitation Act, Public Act 146 of 2000 (the "Act"), provides for a tax incentive to encourage the redevelopment of obsolete buildings through the establishment of an Obsolete Property Rehabilitation District; and

WHEREAS, pursuant to PA 146 of 2000, the City of Ypsilanti is a Qualified Local Governmental Unit eligible to establish one or more Obsolete Property Rehabilitation Districts; and

WHEREAS, the Council of the City of Ypsilanti legally established an Obsolete Property Rehabilitation District that includes parcel #11-11-40-484-018 (13 N. Washington) as part of a broader district including the three DDA districts on June 5, 2012 after a public hearing held on the same date as provided by section 3 of Public Act 146 of 2000; and

WHEREAS, the combined parcel at 13 N. Washington has been certified functionally obsolete by the City Assessor per P.A. 146 in February 2014; and

WHEREAS, the application relates to a rehabilitation program that when completed constitutes a rehabilitated facility within the meaning of Public Act 146 of 2000 and that is situated within an Obsolete Property Rehabilitation District established in the City of Ypsilanti eligible under Public Act 146 of 2000 to establish such a district; and

WHEREAS, the owners of the above referenced parcels, North Washington, LLC have submitted an application for an obsolete property as defined in section 2(h) of Public Act 146 of 2000 requesting an exemption for a period of ~~12~~ 10 years with the option to reopen for a two-year extension as a function of the Act; and

WHEREAS, the application included all of the items described under "Instructions" (a) through (f) of the Application for Obsolete Property Rehabilitation Exemption Certificate; and

WHEREAS, North Washington, LLC are not delinquent in any taxes related to the facility; and

WHEREAS, the owners of the above referenced parcel have proposed to rehabilitate currently vacant, blighted, and functionally obsolete structure into commercial co-working space; and

WHEREAS, the commencement of the rehabilitation of the facility did not occur before the establishment of the Obsolete Property Rehabilitation District; and

WHEREAS, the taxable value of the property proposed to be exempt plus the aggregate taxable value of property already exempt under Public Act 146 of 2000 and under Public Act 198 of 1974 (IFT's) does not exceed 5% of the total taxable value of the City of Ypsilanti; and

WHEREAS the rehabilitation includes improvements aggregating approximately 100% of the true cash value of the property at commencement of the rehabilitation as provided by section 2(l) of Public Act 146 of 2000.

WHEREAS the completion of the rehabilitated facility is calculated to, and will at the time of issuance of the certificate, have the reasonable likelihood to, increase commercial activity, create employment, increase commercial activity, and revitalize urban areas in the community in which the facility is situated.

WHEREAS, the application was approved at a public hearing as provided by section 4(2) of Public Act 146 of 2000 on October 6, 2015; and

WHEREAS, the DDA has not opposed the issuance of OPRA certificate.

NOW, THEREFORE, BE IT RESOLVED THAT the Obsolete Property Rehabilitation Exemption for a period of 12 years for the real property, excluding land, located in the Obsolete Property Rehabilitation District which include parcel #11-11-40-484-018 (13 N. Washington) pursuant to the provisions of PA 146 of 2000, as amended, subject to completion of the renovations and awarding of full building certificate of occupancy by July 31, 2016, the final approval of exemption certificates by the State Tax Commission, and to the taxes on the property being paid on time be approved on First Reading.

X. AUDIENCE PARTICIPATION –

None

XI. REMARKS BY THE MAYOR –

None

XI. ADJOURNMENT –

Resolution No. 2015-232, adjourning the Special Council Meeting.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the City Council Special Meeting be adjourned, on call, by the Mayor or two (2) members of Council.

OFFERED BY: Council Member Anne Brown
SUPPORTED BY: Council Member Nicole Brown

On a voice vote, the motion carried, and the meeting adjourned at 8:30 a.m.