

Financial Health Review Team

Real Property Group

Tricia Foster, Joe Heffernan, Jeff Hicks, Michael Moquin
East Lansing Financial Health Team

Appointed Members

Michael J. Moquin, Chairperson

Former Chief General Counsel for the Michigan Municipal Retirement System

Jill Rhode, Vice Chairperson

Director of Financial Services, Ingham County

Eric Scorsone

Founding Director, MSU Extension Center for State and Local Government Policy

Douglas Jester

Principal at 5 Lakes Energy; Former Mayor and City Councilmember, City of East Lansing

Susan Haka

Ernst & Young Endowed Professor of Accounting, Eli Broad College of Business at MSU

Aaron Harris

Financial Advisor at Northwestern Mutual

Tricia Foster

Senior Managing Director and Chief Operating Officer, CBRE/Martin

Jeffrey Hicks

Vice President/Commercial Banking Officer at Mercantile Bank of Michigan

Raymond D. Vlasin

Distinguished Professor Emeritus, MSU

James Butler

Director of Urban Revitalization Division, Michigan State Housing Development Authority

Robert J. Kleine

Former Treasurer of the State of Michigan

East Lansing City Council: Mayor Mark Meadows, Mayor Pro Tem Ruth Beier, Erik Altmann, Shanna Draheim and Susan W. Woods.

Background & Scope

Committee members decided to help identify, quantify, understand and communicate City of East Lansing's real estate assets and generate positive action steps/recommendations impactful to financial health of the City. The Group met eight times to address these matters and formulate these recommendations. The Group approved the Recommendations on September 26, 2016 and the Financial Health Team's approval was given at its monthly meeting later that day.

Action Items

- Obtain recent and comprehensive list of real estate assets from City's Finance Director
- Develop Real Estate Asset Map
- Determine potential market value of real estate assets based on recent 12-24 month sales
- Obtain map of City's Downtown Development Authority boundary
- Generate a new real estate development scenario and impact of tax capture within TIF plans

Recommendations

- Utilize Real Estate Asset Map and estimated market value of real estate assets to educate City staff, council and public on difference between book value and market value. *Rationale:* Book value is based on original acquisition value – a conservative value, while market value demonstrates current values.
- Utilize Real Estate Asset Map and market value of real estate assets to understand implications in monetization of assets (net proceeds, additions to tax base) for potential sale or sale/lease-back. *Rationale:* Faced with a potential fiscal crisis, this would include assumption on whether monetization and sale would make sense.

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- Place on City website most recent Asset Map and estimated values. *Rationale:* Educational & Transparency.
- Update market value of real estate assets annually, 4 to 6 months in advance of budget approval. *Rationale:* Market values change constantly, and annual update is common practice in real estate sales.
- Determine operational expense containment and avoidance measure in relation to real estate assets. *Rationale:* Understand if the real estate assets containing buildings/operations are efficient – break-even or greater or net loss.
- Utilize DDA (Downtown Development Authority) district map to present a new development scenario. *Rationale:* to educate public on the tax revenue impact of new development; whether inside the DDA district and subject to TIF (Tax Increment Financing*) plan, or outside the DDA district.

**Tax Incremental Financing is a public financing method that is used as a subsidy for redevelopment, infrastructure and other community-improvement*

Attached:

- [Real estate asset map](#)
- [DDA district boundary map & new development impact scenario](#)