

Financial Health Review Team

Development Incentives

Tricia Foster, Douglas Jester, Ray Vlasin, Mike Moquin
East Lansing Financial Health Team

Appointed Members

Michael J. Moquin, Chairperson

*Former Chief General Counsel for the Michigan
Municipal Retirement System*

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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

Members of the Economic Incentives Group decided to help identify, quantify, understand, and communicate how economic incentives granted by the East Lansing City Council can help generate economic development and improve the financial health of the City. The Group met eight times to address these matters and formulate the Group recommendations. The Group approved the recommendations on November 2, 2016, and the Financial Review Team's unanimous approval was given on November 14, 2016.

Group Actions

- Develop Interview Questions for Developers within the State of Michigan
- Interview Developers
- Report Findings to Group
- Develop Interview questions for other identified Cities
 - Obtain information via interviews and group sessions with City staff
 - Interview to learn how the specified cities below go about economic development
 - Traverse City
 - Grand Rapids
 - Ann Arbor
 - Kalamazoo
 - Report Findings to the Group
 - Request information on Tax Incentive Financing ("TIF") and Downtown Development Authority ("DDA") geographic areas. Review map of City's DDA boundaries
 - Request asset map from the City
 - Request information on how the addition of real property within each area identified assists with adding tax base to the City
 - Review all available incentives
 - Review how developing in one area of the City versus another will impact the City and DDA

The Group in making the Seven Recommendations that follow the below points, and the FHT in approving them, have been guided by what it considers governing principles. These principles are multi-sourced, and embrace Citizen input, personal observation, professional experiences, and academic commentary.

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The order in which the following items appear are not intended as expressing any ranking in importance or priority.

- Review and strengthen policies and procedures to guide development and redevelopment, and which inform City staff, developers and citizens
- Reinforce importance of comprehensive planning, secondary effects and consequences, looking beyond an individual site to consider its contribution to the community
- Develop local area development objectives for the different geographic areas of the city, including for corridor and nodal development, e.g., where to locate returning alumni centers or retiree centers, and the desirability of requiring that developments contain a minimum percentage of units that are earmarked for low income residents, senior citizens, etc.
- Employ “request for qualifications” and then “request for proposals” from those meeting high standards or those “pre-qualified with high standards”
- Conduct or secure financial analyses for viability of development to the City and for completion of the proposed development with resources available
- Develop an accessible electronic tracking system to cover all phases of project application, review, approval and development
- Provide electronic “quick links” to specific information and requirements for developers
- Systematize opportunities for citizen review and input, recorded accurately, and to accompany the development review and approval stages
- Create an environment in which the need for incentives can be judged openly and fairly
- Establish understanding that development incentives are one tool in economic development
- Revisit for clarity and transparency the policies, procedures and eligibility requirements for incentives used by the DDA and Brownfield Redevelopment Authority (“Brownfield”), and their availability to developers, City staff and citizenry
- Show clearly the magnitude of the city’s overall financial liabilities and how decisions about incentives can complement or complicate the plan for dealing with those liabilities
- Establish guidelines about such elements as length of tax capture, actual costs to be allowed, rate and magnitude of capture--to enhance workability and understanding
- Develop criteria to help judge whether properties, particularly those close to Michigan State University (“MSU”), could develop without TIF or Brownfield incentives, or whether those incentives likely will be required
- Make use of the market, particularly for “hot properties”, within the framework of development objectives in local geographic areas and in the master plan, once revised
- Evaluate the economic viability of proposed projects requesting financial incentives, ensuring that the regional market helps with sound allocation of resources, with a minimum of incentive bias
- City, DDA and Brownfield to make sure that the project developer has explored all other available private and public funding sources, as determined in consultation with City financial staff
- Make use of “pro forma analysis” to ensure validity of incentives for the proposed project--appropriateness of incentives and the requested amounts
- Refrain from granting financial incentives for uses fully supplied or oversupplied pursuant to market indicators

- Determine whether the existing character of an eligible property is such that the redevelopment activities would be severely limited or be prohibitive without Brownfield or TIF tax capture
- In view of its severe financial challenges, the City will need to assess carefully the costs it allows for tax capture and their magnitude, as it continues to treat expense reimbursement on a case-by-case basis given the project's benefits and costs to the City and the City's financial circumstances. Conversely, evaluate the result of a project versus no project on the City's bottom-line
- Improve trust throughout the development and redevelopment process by striving to achieve transparency in all phases of the redevelopment and development process
 - Increase the ease of access to information on development and incentive policies, procedures, processes and requirements
 - Strive to reduce uncertainty and ambiguity for developers, City staff and agencies., and the citizenry
 - Set clear guidelines informing the developers, City staff and public how the development process can and should work
 - Show that when citizen input is sought it is retained accurately and shared with appropriate City offices and agencies, and there is a clear attempt to make use of that input by the City staff and agencies, prior to action before the City Council

Recommendations

1. Through City Development staff, utilize Real Estate Asset Map (link 1) (as annually updated by City Assessor), Interview answers (link 2), City and Group input, and market statistics to initially (and regularly) educate the City staff, council, and public on the impact of new development for the City.
2. Utilize Real Estate Asset Map (link 1) and DDA boundary (link 3) to understand implications in approving projects in each geographic location and how economic incentives may differ by geography.
3. Through outreach and professional organizations in which City staff participate (eg, the Big 10 City Managers group), encourage best of class sharing of ideas with other like size and Big 10 University towns.
4. Through a process created by City Development staff as approved by Council, establish and implement a plan to encourage long-term development within the City:
 - Providing for flexibility with transparency in the process when considering incentives
 - Improve number and quality of Developers through prequalification with high standards
 - Empower and hold City employees accountable for the plan
5. Through clear Guidelines recommended by Development staff, communicate process and steps leading to council approval, and streamline project approval process to assist in initial expense containment for the Developer
6. Have City Development staff target business, corporate, and institutional occupiers to determine if any City real estate assets (link 1) could and should be utilized to encourage economic development

7. Through direct collaborative meetings between the City and MSU Administration
 - Identify complementary AND competing priorities held by the City and MSU
 - Determine how MSU may play a greater role in improving economic development in the City

Attachments

- Interview question and answers
- Information from other cities
- Asset Map
- DDA Map; example – Developing inside or outside DDA boundaries
- Incentive Example