

Local Development Finance Authority

Regular Meeting Agenda

Friday, November 18, 2016
4:00 p.m., Council Chambers
South Haven City Hall



1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of Minutes – October 10, 2016
5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda
6. Financial Reports
7. Authority will be asked to approve Resolution 2016-05, a resolution authorizing the financing contract of capital improvements.
8. General Comments
9. Adjourn

RESPECTFULLY SUBMITTED,

Kate Hosier
Secretary, Local Development Finance Authority

South Haven City Hall is barrier free and the City of South Haven will provide the necessary reasonable auxiliary aids and services for persons with disabilities, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting to individuals with disabilities at the meeting upon seven days' notice to the South Haven City Clerk.

Local Development Finance Authority

Regular Meeting Minutes

Monday, October 10, 2016
4:00 p.m., Council Chambers
South Haven City Hall



1. Call to Order by Bolt at 4:00 p.m.

2. Roll Call

Present: Barbara Craig, Tom Fleming, Eugen Gawreliuk, Bob Herrera, Andy Klavins, Stephanie Timmer, Christine Valentine

Absent: Tom Erdmann, Mike Henry

3. Approval of Agenda

Motion by Valentine, second by Klavins to approve the October 10, 2016 LDFA Regular Meeting Agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – September 19, 2016

Motion by Fleming, second by Klavins to approve the September 19, 2016 LDFA Regular Meeting Minutes as written.

All in favor. Motion carried.

5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

None at this time.

6. Authority will be asked to approve Resolution 2016-04 to sell 220 Aylworth

Motion by Valentine, second by Timmer to approve Resolution 2016-04 to sell 200 Aylworth.

All in favor. Motion carried.

7. General Comments

None

8. Adjourn

Motion by Klavins, second by Timmer to adjourn at 4:03 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary

City of South Haven
Local Development Finance Authority
For the period ended October 31, 2016

	LDFA #1	LDFA #2	LDFA #3
Revenues			
Property Tax Captures	8,219	11,611	40,781
Interest Income	3,135	875	4,363
Other Revenue	335,205	-	-
Other Transfers In	-	-	-
Total Revenue	346,560	12,486	45,144
Expenditures			
Economic Liaison	5,403	5,943	6,664
Administrative Costs	-	-	-
Professional Fees	75	-	-
Contractual Services	13,107	-	-
Capital Projects	-	-	-
General Fund Administration	-	10,000	11,667
Transfer to Building Authority Debt Service	-	4,329	-
MEDC Loan Payments	-	-	-
Transfer to St. Joe Project Debt Service	40,000	-	-
Other Transfers Out	-	-	-
Total Expenditures	58,585	20,272	18,330
Year-to-Date Fund Gain/(Loss)	287,974	(7,786)	26,814
Cash and Investments			
Cash	373,913	15,306	78,587
Certificates of Deposit	263,282	-	-
Other Financial Investments	408,280	128,521	513,195
Total	1,045,475	143,827	591,782

Land Assets - 345 Kalamazoo St	5.19 acres	\$ 46,710	Mkt Value per assessor
Land Assets - 1391 Kalamazoo St	1.54 acres	\$ 36,729	Mkt Value per assessor
220 Aylworth Ave	13.22 acres	\$ 118,980	Mkt Value per assessor
1280 Kalamazoo St.	3.48 acres	\$ 31,320	Mkt Value per assessor

LDFA Debt Obligations			
St. Joe Projects Bonds - Final Maturity - May 2027	\$120,000/Year		
DPW Relocation Bonds - Final Maturity - Nov. 2021		\$13,990 Average/Year	



Agenda Item 6

LDFA Financing Contract Consideration

Background Information:

The Local Development Finance Authority (LDFA) will be asked to consider approval of Resolution 2016-05, a resolution approving a financing contract between the city and the city's LDFA to provide assistance with the city's water/sewer capital improvement projects.

At the LDFA's September 19th regular meeting, the LDFA board approved a motion which commits \$100,000 per year, for a total of 25 years, to assist with the city's planned capital improvements. The various capital improvement to the city's sewer/water system began this fall. Some of the planned improvements provide substantial benefits to companies located within the LDFA's business parks.

The following is provided to outline the current estimated costs associated with the:

1. Monroe Blvd/Indian Grove LS & Forcemain	\$2,913,426
2. Main LS/ WWTP	\$6,935,575
3. North Shore Drive	\$4,451,531
4. Dunkley/Black River Street	\$6,772,500
5. Kalamazoo St.- Phase 4	<u>\$1,058,842</u>
	\$22,131,874

Currently six major projects have been let for construction of improvements to the City's infrastructure, including the sewage collection system, wastewater treatment facility, lift stations, storm sewers, roads, water mains, and electrical system. All of the proposed improvements should positively impact the City's ability to grow the tax base. The locations of the projects and total estimated project costs are as follows:

The construction work that will benefit the LDFA includes: Kalamazoo Street Improvements and Indian Grove Lift Station and Forcemain improvements for LDFA #1 totaling 2,023,952. Additionally, all of the LDFAs will benefit from the Main Lift Station/Wastewater Treatment Plant improvements totaling \$6,935,575.

As a result of the capital improvements and the projects providing higher quality and more reliable utilities to the various business parks, the LDFA board has committed funds to assist with the costs of the projects. The LDFA board has committed to fund \$100,000 per year, for the next 25 years to assist the city with the capital improvement projects. Should the city wish to accept the assistance, the City Council will need to approve a resolution which authorizes a financing contract.

Recommendation:

The City Council should consider a motion to approve Resolution 2016-05, a resolution approving a financing contract between the city and the city's Local Development Finance Authority (LDFA,) to provide assistance with the city's water/sewer capital improvement projects.

Support Material:

Resolution 2016-05
Financing Contract
September 19th LDFA Meeting Minutes

**CITY OF SOUTH HAVEN
LOCAL DEVELOPMENT FINANCE AUTHORITY
(Van Buren and Allegan Counties, Michigan)**

Resolution No. _____ - _____

RESOLUTION TO APPROVE LDFA FINANCING CONTRACT

Minutes of a regular meeting of the Board of the City of South Haven Local Development Finance Authority, Van Buren and Allegan Counties, Michigan, held in the City Hall, 539 Phoenix Street, South Haven, Michigan, on November __, 2016, at _____ p.m., local time.

PRESENT: _____

ABSENT: _____

The following resolution was offered by Member _____ and supported by Member _____:

WHEREAS, the City Council of the City of South Haven (the "City") has established and created the City of South Haven Local Development Finance Authority (the "LDFA") pursuant to Act 281, Public Acts of Michigan, 1896, as amended; and

WHEREAS, the LDFA is requesting that the City issue general obligation limited tax bonds and revenue bonds (the "Bonds") to pay for a portion of the costs to purchase, acquire, and construct certain street and utility improvements in the City, which comprise projects in the LDFA's Development Plan and Tax Increment Financing Plan Industrial Park Improvement Project (commonly known as LDFA #1) and in the Development Plan and Tax Increment Financing Plan Industrial Development District #3 South Haven I-96 Industrial Park (the "Projects"); and

WHEREAS, the LDFA agrees to contribute to a portion of the debt service on the Bonds.

NOW, THEREFORE, BE IT HEREBY RESOLVED as follows:

1. The LDFA Financing Contract (the "Contract") is approved in substantially the form submitted herewith, with such changes as the officers of the LDFA signing the Contract shall approve, and the Chairperson and the Secretary of the LDFA are hereby authorized and directed to sign the Contract.

2. The LDFA shall include in its budget each year the amount necessary to make all payments required to be made by the Contract during such year, when and as the same shall become due. The LDFA hereby pledges and agrees to pay the City each year the amounts due under the Contract.

3. The LDFA hereby acknowledges that the City will issue the Bonds in reliance upon the agreement and promise of the LDFA to pay to the City the amounts due under the Contract.

4. All resolutions or parts of resolutions in conflict herewith shall be, and the same are, hereby rescinded to the extent of the conflict.

YEAS: _____

NAYS: _____

ABSTAIN: _____

RESOLUTION DECLARED ADOPTED.

Christine Valentine, Vice-Chair
City of South Haven Local Development
Finance Authority

CERTIFICATION

I, _____, hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Board of the City of South Haven Local Development Finance Authority at a meeting held on November __, 2016, and that public notice of said meeting was given pursuant to and in compliance with Act 267, Public Acts of Michigan, 1976, as amended, including, in the case of a special or rescheduled meeting, notice by publication or posting at least eighteen (18) hours prior to the time set for the meeting.

Date: November __, 2016

Kate Hosier, Secretary
City of South Haven Local Development
Finance Authority

LDFA FINANCING CONTRACT

THIS LDFA FINANCING CONTRACT (the “Contract”), made and entered into as of November __, 2016, by and between the City of South Haven, a Michigan municipal corporation, the principal business address of which is 539 Phoenix Street, South Haven, Michigan 49090 (the “City”), and the Local Development Finance Authority of the City of South Haven, a public body corporate organized and existing pursuant to Act 281, Public Acts of Michigan, 1986, as amended (the “Act”), the principal business address of which is 539 Phoenix Street, South Haven, Michigan 49417 (the “LDFA”).

RECITALS

A. The Act authorizes the City and the LDFA to adopt and implement development plans and tax increment financing plans in order to plan and implement development programs to benefit eligible properties.

B. The LDFA’s Development Plan and Tax Increment Financing Plan Industrial Park Improvement Project, which was last amended by a Third Amendment approved by the City Council Resolution 03-01 adopted on January 6, 2003 (the “LDFA #1 Plan”), includes a project for the construction and repair of utilities sanitary and storm drainage systems (the #1 Plan Project”).

C. The LDFA’s Development Plan and Tax Increment Financing Plan for Industrial Development District #3 South Haven I-96 Industrial Park, which was last amended by an amended plan approved by City Council Resolution 2010-03 adopted on January 18, 2010 (the “LDFA #3 Plan), includes a project for the wastewater treatment plant improvements and utility improvements (the “#3 Plan Project”).

D. Pursuant to the LDFA #1 Plan and the LDFA #3 Plan (together, the “Plans”) the LDFA captures tax increment revenues and receives replacement revenues for captured personal property tax revenues that have been lost due to personal property tax exemptions enacted by the State of Michigan (together, the “Tax Increment Revenues”) generated by properties located in the districts of the respective Plans.

E. The LDFA has decided to undertake projects in conjunction with the City to implement a portion of the #1 Plan Project and the #3 Plan Project (together, the “Projects”).

F. The LDFA is requesting that the City issue bonds to finance the costs of the Projects.

G. The City has published a notice of intent and adopted a bond resolution for the issuance of its Sanitary Sewer System Junior Lien Revenue Bonds, Series 2016 and its General Obligation Limited Tax and Refunding Bonds, Series 2016 (together, the “Bonds”) for financing the costs to purchase, acquire and construct various capital improvements in the City, including, but not limited to, components of the Projects.

H. The LDFA has agreed to contribute the sum of \$75,000 per year from Tax Increment Revenues captured pursuant to the LDFA #1 Plan (“LDFA #1 Contribution”) and the sum of \$25,000 per year from Tax Increment Revenues captured pursuant to the LDFA #3 Plan (the “LDFA #3 Contribution”).

I. A portion of the cost of #1 Plan Project has been specially assessed (the “Special Assessments”) to the properties shown on Exhibit A (the “Assessed Properties”) pursuant to special assessment rolls that were confirmed for the Indian Grove Lift Station and Force Main Reconstruction Project Special Assessment District and the Kalamazoo Street Reconstruction Project, Phase 4 Special Assessment District (the “SADs”).

J. The parties intend that the LDFA #1 Contribution be applied by the City to reduce the amounts owed by the Assessed Properties on the Special Assessments in that year.

K. The City and the LDFA intend to enter into an agreement that a portion of the proceeds of the Bonds will be used to fund the Projects and that the LDFA will periodically pay to the City such amounts from Tax Increment Revenues as are necessary to pay a portion of the debt service on the bonds as stated above.

AGREEMENT

The City and the LDFA agree as follows:

1. The LDFA approves the financing a portion of the Projects by the Issuance of the Bonds.
2. The LDFA determines that the useful life of the Projects as not less than 30 years.
3. The City agrees that, if the Bonds are issued, a portion the proceeds of the Bonds shall be used to fund the costs of the Projects.
4. The LDFA hereby pledges and agrees to make the following contributions to the debt service on the Bonds as long as the Bonds or bonds issued to refund the Bonds remain outstanding:
 - (a) The LDFA shall pay the City each year from the Tax Increment Revenues captured pursuant to the LDFA #1 Plan the amount of \$75,000 as contribution to the portion of the debt service on the Bonds used to fund the #1 Plan Project.
 - (b) The LDFA shall pay the City each year from the Tax Increment Revenues captured pursuant to the LDFA #3 Plan the amount of \$25,000 as contribution to the portion of the debt service on the Bonds used to fund the #3 Plan Project.
5. In the event the Tax Increment Revenues in any given year are insufficient to pay the amounts required to be paid by this Contract, and the City elects to pay such sums from its own funds, the LDFA shall reimburse the City in whole, together with interest, for such payments from any Tax Increment Revenues later collected that exceed current debt service payments. Delinquent payments shall be paid from such excess Tax Increment Revenues as soon as the same are received.
6. The LDFA hereby acknowledges that the City will issue the Bonds in reliance upon this Contract and promise of the LDFA to pay to the City from the Tax Increment Revenues the amounts necessary to pay the principal of and interest of the Bonds.

7. The City agrees that the amounts received each year from the LDFA #1 Contribution will be applied as a credit to reduce the amount of principal and interest coming due in that year on the Special Assessments against the Assessed Properties pursuant to the SADs. If the LDFA #1 Contribution is insufficient in any year to fully pay these amounts, the LDFA #1 Contribution shall be applied proportionately to the Special Assessment amounts coming due against each Assessed Property and the balance may be billed by the City and collected from the Assessed Properties. If the LDFA #1 Contribution exceeds the amounts of principal and interest coming due from the Special Assessments against assessed properties pursuant to the SADs, the City may apply these amounts to the debt service on the Bonds without any credit against Special Assessments. Upon payment of the Special Assessments in full, the LDFA #1 Contributions will be applied to the debt service on the Bonds without any further credit. The LDFA #3 Contribution is being made to the City for payment of debt service on the Bonds without any credit to any special assessments.

8. This is the entire agreement between the parties and it supersedes and replaces all prior agreements between the parties regarding its subject matter. It may not be modified except in writing, signed by both parties. It shall not be affected by any course of dealing. The captions are for reference only and shall not affect its interpretation.

9. In the event the LDFA shall fail to make a payment to the City required by this Contract at the time specified, the City shall have all rights and remedies provided by law to enforce the obligations of the LDFA.

10. This Contract is contingent upon the City issuing the Bonds.

11. If in any judicial proceeding, a court shall refuse to enforce any part of this Contract, the unenforceable portions shall be deemed eliminated from the Contract to the extent necessary to permit the remaining portions to be enforced.

12. The provisions of this Contract shall be in full force and effect and binding upon the successors and assigns of the parties.

13. This Contract and the obligations hereunder shall remain in full force and effect so long as the Bonds or bonds issued to refund the Bonds remain outstanding.

[Remainder of page left blank intentionally.]

The parties have executed this Agreement as of the date first written above.

CITY OF SOUTH HAVEN

By: _____
Robert Burr
Its: Mayor

And: _____
Travis Sullivan
Its: Clerk

**LOCAL DEVELOPMENT FINANCE AUTHORITY
AUTHORITY OF THE CITY OF SOUTH HAVEN**

By: _____

Its: Chairperson

And: _____

Its: Secretary

S/A District	Description	Parcel Number	Taxpayer Name	Property address	Amount	TIF District
721	Indian Grove Lift Stn	80-53-220-010-00	Timken Newco 1 LLC	300 Lovejoy Ave	8,495.04	LDFA #1
721	Indian Grove Lift Stn	80-53-220-104-00	Albemarle Corporation	1421 Kalamazoo St.	8,774.30	LDFA #1
721	Indian Grove Lift Stn	80-53-220-007-30	Brickman Real Estate LLC	1423 Kalamazoo St.	3,878.62	LDFA #1
721	Indian Grove Lift Stn	80-53-220-102-60	CKD Investments LLC	1600 Stieve Dr.	37,503.69	LDFA #1
721	Indian Grove Lift Stn	80-53-220-101-04	Gawreliuk, Mary M Trustee	1615 Stieve Dr.	6,516.08	LDFA #1
721	Indian Grove Lift Stn	80-53-220-102-20	Gawreliuk, Mary M Trustee	1635 Stieve Dr.	4,085.48	LDFA #1
721	Indian Grove Lift Stn	80-53-220-014-00	Timken Newco 1 LLC	200 Lovejoy Ave	24,785.25	LDFA #1
721	Indian Grove Lift Stn	80-53-220-012-10	KCI Properties LLC	201 Lovejoy Ave	4,575.05	LDFA #1
721	Indian Grove Lift Stn	80-53-220-006-50	Loafman Properties LLC	1375 Kalamazoo St.	8,208.89	LDFA #1
721	Indian Grove Lift Stn	80-53-220-007-20	LP Enterprise LLC	1425 Kalamazoo St.	12,411.59	LDFA #1
721	Indian Grove Lift Stn	80-53-220-009-00	N & A Property Holdings LLC	1400 Kalamazoo St.	2,413.36	LDFA #1
721	Indian Grove Lift Stn	80-53-220-018-00	Pana LLC	1447 St. Joseph St.	413.72	LDFA #1
721	Indian Grove Lift Stn	80-53-220-008-00	Pero, Bernard L & Jody L	1450 Kalamazoo St.	2,099.63	LDFA #1
721	Indian Grove Lift Stn	80-53-220-102-30	Phelps, Thomas F Trust	1670 Stieve Dr.	15,514.49	LDFA #1
721	Indian Grove Lift Stn	80-53-220-102-11	Phelps, Thomas F Trust	1675 Stieve Dr.	9,153.55	LDFA #1
721	Indian Grove Lift Stn	80-53-220-102-50	South Haven Finishing	1610 Steive Dr.	3,102.90	LDFA #1
760	Water -Kzoo St- P 4	80-53-220-001-10	South Haven Local Development	220 Aylworth Ave	1,275.03	LDFA #1
760	Water -Kzoo St- P 4	80-53-220-002-10	South Haven Local Development	1280 Kalamazoo St.	12,762.40	LDFA #1
760	Water -Kzoo St- P 4	80-53-220-002-00	Trelleborg Holding	400 Aylworth Ave	14,954.22	LDFA #1
761	Sewer -Kzoo St- P 4	80-53-220-004-00	Ohaupo Properties LLC	1201 Kalamazoo St.	6,748.09	LDFA #1
761	Sewer -Kzoo St- P 4	80-53-220-002-20	PP Mosher LLC	1310 Kalamazoo St.	4,686.17	LDFA #1
761	Sewer -Kzoo St- P 4	80-53-220-001-10	South Haven Local Development	220 Aylworth Ave	1,789.27	LDFA #1
761	Sewer -Kzoo St- P 4	80-53-220-002-10	South Haven Local Development	1280 Kalamazoo St.	17,909.70	LDFA #1
761	Sewer -Kzoo St- P 4	80-53-220-002-00	Trelleborg Holding	400 Aylworth Ave	20,985.53	LDFA #1

Motion by Erdmann, second by Klavins to accept the Financial Report as presented.

All in favor. Motion carried.

7. Contribution to Capital Projects

Brian Dissette, City Manager. Spoke about LDFA making cash contributions on an annual basis to ongoing capital projects. The importance to the LDFA is very simple. The Indian Grove Pump Station and the main pump station, to be built, are going to be or are used by all the businesses in LDFAs 1, 2 and 3.

Dissette explained that the benefits will be real and significant should the LDFA make an annual cash contribution of \$50,000 per year. On a monthly basis fewer dollars would have to be spent by businesses. Dissette explained how that would affect retention and how similar benefits occur for residents (city, part-time and full-time; outside the city) all through water and sewer with savings per household, this is very real.

Dissette noted that while he is asking the LDFA to lend support to capital projects, if you support this today we will be moving on to the DDA for a similar request.

Dissette and Hosier have been talking with Mr. Bolt who wants the city to retain what we have. In talks with Albemarle, hundreds of local jobs and thousands of utility payments will be retained. We will still have the ability to grow the LDFA through buying up currently private land or by creation of an LDFA #4. Dissette noted, "We are out of land, LDFAs 1, 2 and 3 are full. We need to ensure that we continue to see investment and development of private jobs."

Dissette asked, "Can you afford \$50,000, \$75,000 or \$100,000? Yes. And I'm hoping the DDA will match what this board does."

Klavins asked if the LDFA does \$100,000, will the DDA do \$100,000 to which Dissette responded, "Yes, that is where I will start. Albemarle has made a decision to stay here, and I'm sure our utilities were actively examined during that decision making process. We have provided them with highly reliable water and highly reliable electric. Without a doubt utility costs are being factored in when these decisions are made."

Valentine asked how Dissette proposes to structure this; what comes out of each LDFA? Dissette pointed to the break-out in the packet. Discussion ensued regarding where the funds will be taken from, with Dissette saying \$75,000 will be taken out of LDFA 1 and \$25,000 out of LDFA 3. It was noted that LDFA 2 does not have much to offer. LDFA 3 is receiving the benefit of the main pump station; the bulk of the work is impacting LDFA 1.

Valentine asked if this is in addition to whatever LDFA would be doing. Dissette said the special assessments were brought to all of the businesses in LDFA 1. If this were to happen we would zero out the special assessments for all businesses in LDFA 1.

Erdmann questioned how we could make a \$100,000 contribution yearly. Dissette spoke about annual revenues, and overhead costs we are billing to the LDFAs. Valentine commented about the assumption of growth.

Dissette noted there is no assumption of growth, however we do have positive cash flow and the ability to meet the 25-year cash contribution with the assumption you don't have businesses closing.

Discussion ensued regarding increases in taxable value. Dissette said all businesses in all LDFAs have a cash value and the ability to increase in value. Since approximately 1990 this city has seen overall value increasing. Some businesses have closed so there is declining value there.

Valentine and Dissette discussed businesses staying at the same value as they are now with Dissette noting that some of the businesses have very low taxable value because they are being used as storage.

Valentine is in agreement with the idea while a little fuzzy about how it is structured.

Dissette: "You are looking at LDFAs and, what is more important, creating a new LDFA or assisting with utility costs for the existing businesses." Klavins said, "Take care of what you have and with a match from DDA we will be getting double the dollar value." Dissette said anything we can do to try to control the increase in water/sewer costs will be a benefit to the overall community.

Motion by Klavins, to commit the \$100,000 annually for proposed sewer and water improvements in the LDFAs. Second by Erdmann.

Valentine asked if there was discussion of the motion. Hearing none she called the vote.

All in favor. Motion carried.

Discussion ensued regarding the individual LDFA resolutions being approved. It was decided to make a motion for each resolution.

Motion by Klavins to approve Resolution #2016-01, a resolution recommending a fourth amendment to the development plan and tax increment financing plan (LDFA #1) to the City Council of the City of South Haven. Second by Erdmann.

All in favor. Motion carried.

Motion by Erdmann to approve Resolution #2016-02, a resolution recommending a fourth amendment to the development plan and tax increment financing plan (LDFA #2) to the City Council of the City of South Haven. Second by Klavins.

All in favor. Motion carried.

Motion by Klavins to approve Resolution #2016-03, a resolution recommending a second amendment to the development plan and tax increment financing plan (LDFA #3) to the City Council of the City of South Haven. Second by Timmer.

All in favor. Motion carried.

By consensus the first motion above was modified and replaced with the following language:

Motion by Klavins to commit the \$100,000 annually for the life of the borrowing - \$75,000 from LDFA #1 and \$25,000 from LDFA # 3. Second by Erdmann.

All in favor. Motion carried.

8. General Comments

Jack McCloughan updated the board on economic development.

9. Adjourn

Motion by Klavins, second by Erdmann to adjourn at 4:30 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary