

PLANNING AND COMMUNITY DEVELOPMENT

City of Muskegon

June 18, 1982

Honorable Mayor and City Commissioners
Through the City Manager
City Hall
Muskegon, Michigan 49443

Dear Commissioners:

RE: Tax Increment Financing Authority
Development Plan/Tax Increment Financing Plan
Establishment of a Hearing Date

Enclosed is a copy of the Muskegon Hotel/Convention Center Development Plan/Tax Increment Financing Plan approved by the Tax Increment Financing Authority (TIFA) on June 9, 1982. The document was prepared to satisfy the requirements of 1980 P.A. 450 ("The Tax Increment Finance Authority Act") prior to the issuance of any tax increment bonds. A copy of the statute is included in the Appendix to the Plan. Sections 13 and 16 outline the requirements, which the enclosed Plan systematically addresses.

The Development Plan has been drawn up almost entirely on the basis of existing information - specifically, the UDAG application. The Tax Increment Financing Plan contains preliminary estimates of the amount of "Captured Valuation" which can be made available to support the bonding for the proposed parking facility and other improvements.

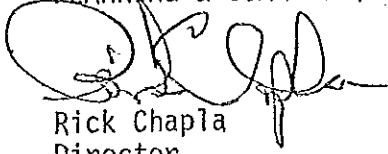
The local governing body must pass a resolution giving final approval to a development plan/tax increment financing plan. However, P.A. 450 states that prior to approval a public hearing must be held, with at least 20 days' public notice. We recommend that a hearing date of July 27th be established.

The statute requires that before that hearing is held, the governing body shall provide "reasonable opportunity to the members of the County Board of Commissioners...and to the members of the school board of any school district in which any portion of the development area is located to meet

with the governing body." Accordingly we recommend that the City Commission provide such opportunity at its Service Meetings on June 21 and July 12, 1982. Copies of the plan have been transmitted to the various taxing jurisdictions.

Respectfully submitted,

PLANNING & COMMUNITY DEVELOPMENT



Rick Chapla
Director

RC:LO:am

Enclosure

AFFIDAVIT OF MAILING

STATE OF MICHIGAN)
) ss.
COUNTY OF MUSKEGON)

Mary C. Smith, Deputy City Clerk of the City of Muskegon, being duly sworn, does hereby depose and say that she mailed, by first-class mail, a copy of the attached notice of hearing, more than 20 days before the date of the hearing, to the following persons, being the persons appearing on the tax rolls of the City of Muskegon for all privately owned parties contained within the Tax Increment Financing District proposed by the City Commission:

Neil W. Curtis, et al.
408 W. Western Avenue
Muskegon, Michigan 49440

Hilda A. Larsen
2245 Miner Avenue
Muskegon, Michigan 49441

R. L. Lindland
721 Ruddiman
North Muskegon, Michigan 49445

Louis L. Jullie
495. Ruddiman
North Muskegon, Michigan 49445

Lakos Steak House
428 W. Western Avenue
Muskegon, Michigan 49440

Airco, Inc.
85 Chestnut Ridge Road
Montvale, New Jersey 07645

Mary C. Smith
Mary C. Smith, Deputy City Clerk

Subscribed and sworn to before me, this 30th day
of April, 1982.

Marva A. Casquay
Notary Public
Muskegon County, Michigan
My Comm. Expires: 3-30-85

Plate # 4775	Economic Development Corp. P.O. ^B ox 866 Muskegon, Michigan 49443	Exempt
# 4782	Ante-Free 141 Muskegon Mall	
# 4792	Esgee Investment Co. 112 S. Monroe Ave. Sturgis, Michigan 49091	
# 4793	Alexis J. Rogoski Tr. 704 Hackley Bank Bldg. Muskegon, Michigan 49443	
#4799.01	James F. Mullally 1165 Harbor Point Rd. Muskegon, Michigan 49441	
# 4804	Greater Muskegon Civic League P.O. Box 866 Muskegon, Michigan 49443	
# 8220	Economic Development Corp. P.O. Box 866 Muskegon, Michigan 49443	Exempt
# 8280	"	"
# 8281	Hugh A. White, et al 1042 N. Woodward Avenue Royal Oak, Michigan 48067	
# 8282	Economic Development Corp.	Exempt
# 8299	Porter-Mulder Land Co. 885 Second Street Muskegon, Michigan 49443	

D R A F T

THE DEVELOPMENT PLAN AND TAX INCREMENT
FINANCING PLAN

FOR THE

MUSKEGON HOTEL-CONVENTION CENTER
TAX INCREMENT FINANCE AUTHORITY DISTRICT

PREPARED BY

THE TAX INCREMENT FINANCE AUTHORITY
FOR THE CITY OF MUSKEGON

June 9, 1982

INTRODUCTION

This Tax Increment Financing and Development Plan has been prepared for the Muskegon Hotel-Convention Center Tax Increment District, in conformance with the requirements of Public Act No. 450 of 1980, also known as "The Tax Increment Finance Authority Act". Sections 13 and 16 of P.A. 450 set forth the requirements of both the tax increment financing plan and the development plan to be adopted by a Tax Increment Financing Authority (TIFA) and approved by a local governing body. Preparation of this plan is a prerequisite to the authorization by the Authority of tax increment bonds in support of a development program. (See Appendix A)

Following adoption of the Plan by the Authority, and after a public hearing, the Muskegon City Commission "shall determine whether the development plan or tax increment financing plan constitutes a public purpose". (Section 18) That determination is made on the basis of a number of considerations, including

- whether the plan meets the requirements of the Act;
- whether the proposed method of financing the development is feasible and the Authority has the ability to arrange the financing;
- whether the development is reasonable and necessary to carry out the purposes of the Act;
- whether the land to be acquired within the development area is reasonably necessary to carry out the purposes of the plan and the Act;

- whether the plan is in reasonable accord with a locally approved master plan - in this instance, the Lakefront Master Plan;
- whether public services are adequate;
- whether changes in zoning, streets, and utilities are reasonably necessary to accommodate the project.

This Plan seeks to address the above considerations with respect to the proposed Muskegon Hotel/Convention Center project, to satisfy the planning requirements laid down by the statute, to assess the impact of tax increment financing on the taxing jurisdictions in which the development area is located, and to explain the significance of tax increment revenues to the development program.

I. DEVELOPMENT PLAN

MUSKEGON HOTEL/CONVENTION CENTER TAX INCREMENT DISTRICT

Project Summary

The proposed Muskegon Hotel and Convention Center is an outgrowth of a broad-based community effort to alleviate the physical and economic distress in the Muskegon urban area.

As stated in the City's application to the Department of Housing and Urban Development for Urban Development Action Grant funding (January, 1982), the goal of the project "is to fill a void in the community for first-quality, short-term lodging particularly geared toward commercial business and convention/group meeting patronage".

Specific elements of the project include:

- (1) Construction of a 200-room hotel.
- (2) Construction of an approximately 10,000 square foot convention/meeting facility adjoining the hotel.
- (3) Construction of an approximately 270-space parking deck adjacent to the hotel. An additional 145 at-grade spaces would be provided on-site.
- (4) Implementation of a streetscape program in the site's immediate vicinity, providing a visual link between the project and the Muskegon Mall, the Frauenthal Theater, and L.C. Walker Arena.

The project will create an estimated 200 new full-time jobs, and will constitute a total public and private investment of over \$17,000,000.

A project of this magnitude requires a high level of cooperation between the public and private sectors. Total project development revenues are to be generated from the following sources:

Private	\$ 8,600,000.00
County of Muskegon	3,800,000.00
City of Muskegon	2,050,000.00
UDAG	<u>3,500,000.00</u>
TOTAL	\$17,950,000.00

UDAG dollars will be used to cover a portion of actual hotel construction costs. The County of Muskegon will borrow funds through the County Building Authority and acquire the land, relocate business tenants, demolish existing structures, and construct a convention center to adjoin the proposed hotel. The developer of the hotel will lease or contract to purchase the convention center with a rate sufficient to retire county debt service payments on the convention facility. Lease payments may be partially deferred by the county based on the operating performance of the hotel.

The City of Muskegon will contribute approximately \$2,050,000 to the proposed development which will be used for construction of a parking deck adjacent to the proposed hotel and for streetscape and traffic improvements. City-owned land underlying the proposed hotel will be transferred to county ownership. City support will be made available in part through Community Development Block Grant funding, the General Fund, or other traditional sources of public revenues.

In addition, however, the City proposes to take advantage of the innovative public financing techniques available under P.A. 450 of 1980, which enables localities to fund public improvements in a development district with the revenues generated through increased property values in the district.

To this end the Muskegon City Commission, at its March 9, 1982 meeting, gave public notice of its intent to establish a Tax Increment Finance Authority and District encompassing the proposed project location and environs (Legal descriptions are contained in Appendix B.1). A public hearing was held on April 13, and on April 27 the District was created and appointments made to the Authority Board.

Copies of these Commission actions are contained in Appendix B.

As indicated to the Introduction to this Plan, the Authority is required to produce a development plan in accord with the statute, for referral to the City Commission. The remainder of this document addresses the provisions of Section 16(2) of the Act, governing required contents of approvable plans.

1. Purposes

The purposes of the Muskegon Hotel/Convention Center Tax Increment District are, in general:

- To enhance revitalization efforts in downtown Muskegon;
- To expand employment opportunities;
- To strengthen the local tax base;
- To enhance the appeal of the downtown as a retail center;

- To improve lodging and group meeting facilities for business and industry as a means of attracting new firms to the area;
- To diversify the Muskegon economy through improved tourism and convention activities.

These purposes are in accord with those of P.A. 450 - "to prevent urban deterioration and encourage economic development". The City of Muskegon has experienced significant deterioration of its economy and loss of population over the last decade. The economy is heavily dependent upon the auto industry and is therefore subject to cyclical swings. There has been a heavy loss of employment in the manufacturing sector, which spurred the City to seek economic diversification through promotion of tourism and expansion of the chemical industry.

In particular, redevelopment efforts have centered on the downtown and its relationship to the lakefront, as defined in the City's Lakefront Master Plan. The Plan calls for expansion of commercial and recreational facilities at the lakefront in the vicinity of the Central Business District. (See Maps 1 & 2)

The proposed hotel/convention center, the cornerstone of the development contemplated in the Tax Increment Financing District, fully conforms to the Lakefront Master Plan, and

"is critical to the City's continued downtown revitalization efforts. Successful implementation of this project should encourage commitments for further investments. These may include an expansion of the Muskegon Mall, rehabilitation of numerous buildings in the proposed hotel's vicinity, and future recreational land development along Lake Muskegon. In addition, the proposed hotel will stimulate retail and food and beverage sales in the downtown area from convention center attendees and hotel guests". (City of Muskegon, UDAG Application)

2. (a) and (b). Designation of Boundaries

P.A. 450 permits the designation of one or more development areas within the bounds of the Tax Increment Financing District. In this instance, the boundaries of the "development area" are coterminous with those of the District, and include the area bounded by the C & O Railroad tracks on the north, Third Street on the east, West Western Avenue on the south, and property encompassing the L.C. Walker Arena and Annex on the west, excluding the parcel (Plate No. 8311-B) containing the Tohado House Restaurant (See Map 3).

c. Streets, Public Facilities and Land Use

The area under consideration bounds the Western Avenue corridor to the south, a declining commercial district which extends westward from the Muskegon Mall. This area has been a focal point for redevelopment efforts because of its central location in the business district, its potential impact upon the Mall, its proximity to the Mart Dock and the lakefront (to the north) and its relationship to Heritage Village and its numerous historic and architectural resources (to the west). The TIF District, in fact, is likely to become an anchor for downtown lakefront development (See Map 2).

At present the district is bounded on the east by Third Street, which separates the district from the Mall. Third Street, a northbound commercial artery, links the major east-west thoroughfares in the CBD with the Terrace Street loop around the Mall. The District is bisected by Morris Avenue and Fourth Street (See Map 4). These provide access to the existing City parking facilities in the district (at Third and Morris) and to the Walker

Arena (on Fourth and Western). All commercial properties in the District front on Western Avenue. Parking is permitted on Western.

The City parking facilities are vital to continued commercial and recreational uses in the area. They are used by patrons of the Mall, the Frauenthal Theater, L.C. Walker Arena, and local restaurants, as well as seasonal events such as the Seaway Festival.

The Arena is a major City-owned facility providing a home for the Muskegon Mohawks, a hockey club, year round recreational facilities, and limited meeting and convention space. The Arena is in need of substantial improvements to increase operational efficiency and upgrade the quality of its accommodations.

The six commercial buildings on the seven parcels fronting on Western Avenue include two of Muskegon's major restaurants serving Theater and noon-hour business clientele as well as the general public. (One of these, the Tohado House, is not included in the district). Other commercial uses include a private 25-30 space parking garage, an 18-space ground level parking lot, the Curtis-Ferrell Office Building, an optometrist's office building, and the Airco Building.

The district is well served by utilities.

Proposed changes in land use primarily consist of the high-intensity commercial uses resulting from hotel/convention center construction on the block bounded by Third and Fourth Streets, and Morris and Western Avenues. The proposed site incorporates the City parking lot fronting on Morris, and parcels 2H-1, 2H-2, 2H-3, and 2H-4 (the Curtis-Ferrell Building, the parking lot,

parking garage and optometrist building, respectively (See Map 5). The hotel will consist of a 200-room tower fronting on Third Street and a base, including the convention center as well as restaurant and retail space, which would front on Western Avenue.

Site topography permits an adjacent deck parking facility (north of Morris, between Third and Fourth Streets) which will accommodate 270 parking spaces. About 145 additional spaces will be provided at-grade on City-owned land adjacent to the hotel. About 200 of these spaces will be guaranteed for hotel use, to be leased to the developer at the rate of \$1.00 per space per day.

The project will incorporate changes in street patterns to improve traffic circulation. Morris Avenue will be vacated between Third and Fourth Streets to permit construction of the parking facility. Third Street will become two-way to accommodate increased traffic related to the development. Fourth Street will be realigned to eliminate the awkward curve at Morris Avenue. These street improvements will be accompanied by signalization and signage, landscaping, and pedestrian amenities to provide visual unity with the Mall, the Frauenthal Center and the Arena.

A legal description of the development area is contained in Appendix B.1.

2. (d) (e) and (f) Improvements in the Development Area

Specific improvements proposed for the Tax Increment Financing District are as follows:

- (i) Construction of a 200-room hotel between Third and Fourth Streets and Morris and Western Avenues. The hotel will con-

sist of a tower fronting on Third Street, containing the guest rooms and offering a scenic view of Muskegon. The base, which will front on Western Avenue, will be physically linked to the convention center, and will include such commercial facilities as restaurants and retail space.

- (ii) Construction of a 10,000 square foot convention center with a ballroom/foyer, breakout meeting rooms, and related commercial space. The convention center will front on Western Avenue.
- (iii) Construction of an approximately 270-space parking deck adjacent to the hotel on the parcel bounded by Third and Fourth Streets and Morris Avenue and the C & O Railroad right-of-way. An additional 145 at-grade space would be provided at the site.
- (iv) Vacation of Morris Avenue, realignment of Fourth Street, and streetscaping including signalization, signage and pedestrian amenities, on Third and Fourth Streets and Western Avenue.
- (v) Building improvements in the L.C. Walker Arena and Annex.

Construction of the hotel and convention center will necessitate acquisition, demolition and clearance of parcels 2H-1, 2H-2, 2H-3, and 2H-4 fronting on Western Avenue.

Project Schedule

This schedule is contingent upon receipt by the City of Urban Development Action Grant funds in the amount of \$3.5 million.

<u>Transaction</u>	<u>Timing</u>
HUD Approval of Application	June, 1982
Local Approval of Development Plan	June, 1982
Completion of Management and Construction Contracts	July - August, 1982

<u>Transaction</u>	<u>Timing</u>
Completion of Architectural Drawings	August, 1982
Local Approval of Site Plan	August, 1982
Legal Documentation of Development Agreement Terms	August, 1982
Placement of Private Debt and Equity	July-August, 1982
Final Local Financial Commitments	July-August, 1982
Closing on Land Purchase	September, 1982
Demolition	September, 1982
Commence Construction - Hotel/Convention Center	October, 1982
Commence Construction - Parking Facility	Spring, 1983
Let Bids - Street Improvements	October, 1982
Commence Construction - Street Improvements	Spring, 1983
Complete Project Construction	Spring, 1984
Opening of Hotel/Convention Center	Spring, 1984

PROJECT COSTS

(Refer to Appendix C for sources of funding)

a. Land Acquisition	\$ 800,000
b. Relocation	70,000
c. Demolition and Site Preparation	80,000
d. Streets and Site Improvements	550,000
e. Parking Facilities	1,500,000
f. Capital Equipment, Furniture and Fixtures	1,900,000
g. Professional Fees	2,640,000
h. Taxes, Construction Period Interest, Organization Costs, etc.	1,785,000
i. Hotel Construction	6,250,000
j. Convention Center Construction	1,450,000
k. Administration	140,000
l. Contingencies	<u>785,000</u>
Total Project Costs	\$ 17,950,000

2(g). Open Space

Not Applicable.

2(h). Sale or Lease of City Property

The proposed parking facility will be constructed by the Authority on land presently owned by the City, and to be donated to the Authority for these purposes. Following construction, the facility will either be owned by the Authority and spaces leased to the hotel developer, or, sold to the developer with a guarantee of continued public access to the facility.

2(i). Zoning

A major portion of the TIF District (see Map 7) is currently zoned "M-1", or Intermediate Industrial. This area consists roughly of the City parking lot north of Morris, and the northern half of the Arena/Annex complex.

In conformance with the Lakefront Master Plan, these parcels are proposed to be rezoned "C-S", the zoning classification of the remainder of the district. The classification is intermediate between Central Business District uses and general Business District uses, and permits the type of recreational facilities offered by Walker Arena, as well as hotels and parking structures.

j. Project Financing

Appendix C, alluded to in Section (d) through (f) above, describes project costs and sources of financing. Briefly, these are as follows:

UDAG	\$ 3,500,000
County	3,800,000
City	2,050,000
Private	<u>8,600,000</u>
TOTAL	\$ 17,950,000

Of the City's contribution, at least \$1.5 million will be provided by the Tax Increment Financing Authority under the terms of the Tax Increment Financing Plan contained in Part II of this report.

The complete financing package is proposed as follows:

Land Acquisition

COUNTY. Funds in the amount of \$800,000 will be borrowed by the county through the County Building Authority to purchase a portion of the land area needed from private entities for the hotel and convention center. The developer will lease or contract to purchase the land from the county over a 20-year period under terms of a tri-party memorandum of agreement reached in January, 1980 (Appendix D).

CITY. The City will lease land for \$1.00 per year to the County of Muskegon for a portion of the hotel facility. The county shall have the right to re-lease the property to the developer for construction and operation of the hotel/convention center complex. At the end of 20 years, this land will revert to the hotel owner for a consideration of \$1.00.

Relocation

COUNTY. Funds in the amount of \$70,000 will be borrowed for relocation benefits for displaced businesses. The developer will repay these funds as part of the 20-year lease/purchase contract as indicated in Appendix D.

Demolition and Site Preparation

COUNTY. Funds in the amount of \$80,000 will be borrowed for clearance of properties and site preparation. The developer will repay these funds as part of the lease/purchase

contract as indicated in Appendix D.

Traffic Realignment and Streetscaping

CITY. Through funds raised by Tax Increment Financing and/or a General Obligation Bond, or other sources, the City of Muskegon will expend \$550,000 to realign traffic in the proposed hotel vicinity and provide streetscaping.

Parking

CITY. Funds in the amount of \$1,500,000 will be raised by the use of Tax Increment Financing for the 270-space parking deck and 145 at-grade spaces. The Authority will own and operate the parking facilities. The developer will lease parking spaces from the Authority at a rate of \$1.00 per occupied room, per day.

Building Construction - Hotel

DEVELOPER. The developer will expend \$6,850,000 comprised of \$1,750,000 in equity and \$5,100,000 made available by the sales of Industrial Revenue Bonds for construction of the proposed hotel and support amenities.

UDAG. UDAG Funds in the amount of \$3,000,000 will be used for hotel construction. Funds will be drawn down and repaid to the City of Muskegon under terms as indicated in Appendix D.

Convention Center

COUNTY. Muskegon County, through its Building Authority, will borrow funds in the amount of \$2,000,000 to construct an approximately 10,000 square foot convention center and ancillary facilities adjoining the proposed hotel. The developer will lease or contract to purchase the convention center and will be responsible for operating and maintaining the convention center under the lease/purchase contract period. (See Appendix D).

Furniture, Fixtures, and Equipment

DEVELOPER. The Muskegon Hotel Partnership will raise \$1,500,000 in equity funds for furniture, fixtures and equipment necessary for operation of the hotel and will maintain a reserve for replacement in the amount of \$100,000 annually for the proposed hotel/convention center.

COUNTY. The County, through the County Building Authority, will borrow \$400,000 to initially furnish the proposed convention center. The developer will be responsible for maintaining and replacement of all furniture, fixtures, and equipment. These funds will be repaid to the County as part of the contract as indicated.

Contingencies

DEVELOPER. A construction period contingency fund of \$250,000 will be raised in equity funds by The Muskegon County Hotel and Convention Center Partnership. Contingency funds available upon completion of project construction would:

- (1) provide additional capital improvements to the hotel/convention center as deemed appropriate by the developer;
- (2) offset any operating deficits the first years; or
- (3) reimburse the developer and county for their development efforts on a 50 percent - 50 percent basis.

2(k) Project Participants

The developer/owner of the hotel/convention center is the Muskegon County Hotel and Convention Center Partnership, of which the Carley Capital Group is general partner. The Group is a Wisconsin-based venture capital partnership of David and James Carley, who specialize in public-private, urban center development.

The Hilton Hotel Corporation will be the franchisor, and it is anticipated that the hotel/convention center will be managed by Motor Hotel Management, Inc., of Dallas, Texas.

As indicated in Section 2(j), the County Building Authority will lease or sell the land required for hotel construction to the developer. The Building Authority will build the Convention Center for eventual sale or lease to the developer. A similar

arrangement will be undertaken with respect to the parking facility built by the TIF Authority, as described in Appendix D.

2(l) Procedures for Lease, Purchase and Conveyance

These are described in Section 2(j) and further elaborated in Appendix D.

2(m) (n) (o) and (p). Relocation

No residents will be displaced in the process of development. At the present time it is anticipated that five businesses and a commercial parking facility will be displaced. The County has assumed responsibility for relocation of these firms and has allocated \$70,000 to provide relocation assistance.

Acquisition and relocation will be conducted in conformance with the federal Relocation Assistance and Real Property Acquisition Act of 1970 (42 U.S.C. 4601 to 4655), and with P.A. 227 of 1972. Businesses to be displaced will be provided with information on available relocation assistance. Every effort will be made to assist these businesses in obtaining and becoming established in comparable facilities, if desired.

II. TAX INCREMENT FINANCING PLAN
for the
MUSKEGON HOTEL-CONVENTION CENTER TAX INCREMENT
FINANCE DISTRICT

This tax increment financing plan is established to explain in detail the proposed method of financing the costs associated with those portions of the downtown hotel-convention center development which will be the responsibility of the City of Muskegon as presented in the Development Plan.

A. Tax Increment Financing Procedure

The tax increment financing procedure as provided in the Act requires that after being established by the Tax Increment Finance Authority Board, the Development Plan and Tax Increment Financing Plan be adopted by the Muskegon City Commission. After the Plan is in effect, municipal and county treasurers are required to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the "Captured Assessed Value of all real and personal property located in the Development Area". The tax amounts transmitted are referred to as "Tax Increment Revenue". The "Captured Assessed Value" is the amount in any year by which the current assessed value exceeds the initial assessed value. The "Initial Assessed Value" is the most recent value as equalized by the State Board of Equalization of all taxable property in the Development Area at the time of adoption of the Plan. The following Table shows the initial assessed values (1982 tax year) for all taxable real and personal property in the Development Area.

INITIAL ASSESSED VALUE
TAXABLE PROPERTY WITHIN DEVELOPMENT AREA
(1982 Tax Year)

Real Property:

<u>Acquisition Parcel No.</u>	<u>Plate No.</u>	<u>Owner</u>	<u>Assessed Value</u>
2H-1	8300	Neil W. Curtis, Et Al	\$ 44,300
2H-2	8301	Hilda A. Larsen	15,000
2H-3	8302	R.L. Lindland	35,000
2H-4	8303	Louis L. Jullie	23,100
	8304	Lakos Steak House	218,900
	8306	Airco, Inc.	<u>54,800</u>
		Subtotal	\$ 391,100

Personal Property:

<u>Acquisition Parcel No.</u>	<u>Plate No.</u>	<u>Taxpayer</u>	<u>Assessed Value</u>
2H-1	80100	J. Achterhoff	\$ 2,200
2H-1	82280	Curtis-Ferrell	900
2H-1	85400	Louis Lint	500
2H-4	84730	Gunderson & Zuker	6,500
2H-4	90540	Youngdahl	3,300
	85230	Lakos Steak House	23,100
	80180	Airco, Inc.	<u>51,200</u>
		Subtotal	\$ 87,700

Total Initial Assessed Value \$ 478,800

B. Estimates of Captured Assessed Values and Tax Increment Revenues

Estimated dollar amounts of captured assessed values and tax increment revenues to be realized from increases in real and personal property values from the 1982 through 1985 tax years are shown in the following table. These estimates take into consideration the expected changes to the 1982 initial assessed value due to demolition of acquired structures with new construction beginning in late 1982 and completed in 1984. The 1981 tax rate of .0651486, which is the latest established rate, is assumed to remain constant and is applied to each year's assessed values to arrive at tax revenue estimates. New construction and demolition during 1982 are assumed to be equal and therefore no change is shown for the 1983 year.

Further increases in values due to new development are assumed to be evenly divided between 1983 and 1984 with the final increment reflected in the 1985 tax year. As shown in the table, total assessed value increases from \$478,800 in 1982 to \$5,023,000 in 1985 with corresponding tax revenue increasing from \$31,193 to \$327,241. Captured assessed value is \$2,272,100 in 1984 and \$4,544,200 in 1985 while tax increment revenue is \$148,024 in 1984 and \$296,048 in 1985. Under this Tax Increment Financing Plan, the entire tax increment amount is to be utilized by the Authority.

ESTIMATES OF CAPTURED ASSESSED VALUES AND
 TAX INCREMENT REVENUE 1982-1985
 MUSKEGON HOTEL-CONVENTION CENTER TAX INCREMENT FINANCE DISTRICT

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Real and Personal Property Assessed Value	\$ 478,800	\$ 478,900	\$ 2,750,900	\$ 5,023,000
Tax Revenue	31,193	31,193	179,217	327,241
Captured Assessed Value	-	-	2,272,100	4,544,200
Tax Increment Revenue	-	-	148,024	296,048

Tax rate for 1981 of .0651486 used and assumed to remain constant (1982 rate not yet determined).

1983 information assumes that value of new construction during 1982 offsets loss due to demolition.

1984 information assumes that 1/4 of value of new construction completed during 1983.

New construction completed during 1984 is reflected in 1985 figures.

C. Use of Tax Increment Revenue

The tax increment revenue paid to the Authority by the municipal and county treasurers are to be disbursed by the Authority from time to time in such manner as the Authority may deem necessary and appropriate in order to carry out the purposes of the Development Plan, including but not limited to the following:

- The principal, interest and reserve payments required for any bonded indebtedness to be incurred in its behalf for purposes provided in the Development Plan.
- Cash payments for initiating and completing any improvement or activity called for in the Development Plan.
- Any annual operating deficits, that the Authority may incur from acquired and/or leased property in the Development Area.
- Interest payments on any sums that the Authority should borrow before or during the construction of any improvement or activity to be accomplished by the Development Plan, after approval by the Muskegon City Commission.
- Payments to pay the costs of any additional improvements to the development area that are determined necessary by the Muskegon Tax Increment Finance Authority and approved by the Muskegon City Commission.

The Muskegon Tax Increment Finance Authority may modify its priority of payments at any time if within its discretion such modification is necessary to facilitate the development plan then existing.

D. Maximum Amount of Bonded Indebtedness To Be Incurred

The tax increment revenue is expected to be used primarily to secure and make payments on bonds, which may be of one or two types as briefly described below. The choice between types of bonds will be determined after consideration of differences in marketability, interest rates, and amount of proceeds available for development needs. The maximum amount of bonds expected to be issued to meet the City's project obligations is \$2,050,000.

- (1) Straight Tax Increment Bonds are backed solely by the tax increment revenue generated by the project and any other revenues specifically pledged in the bond authorizing resolution. They are not backed by the full faith and credit of the City. Marketability may be difficult and interest rates may tend to be high. However, these factors can be improved by obtaining bond insurance by AMBAC or MBIA.
- (2) Tax Increment Bonds with a Limited Tax Full Faith and Credit Pledge of the City may be easier to market and have lower interest costs. Bond insurance can enhance these factors and result in a higher bond rating. Unlike straight tax increment bonds, these bonds do require approval of the Michigan Municipal Finance Commission.

The total aggregate amount of tax increment bonds to be issued is limited to an amount which 80% of the estimated tax increment revenue will service as to annual principal and interest requirements. Operating expenses or other authorized costs of the Authority may be paid from the 20% of the tax increment revenue not pledged for the bonds. Tax increment revenue is expected to be adequate to provide debt service on the bonds to be issued to provide needed funds.

E. Annual Surplus of Tax Increment Revenues

To the extent that tax increment revenues of the Authority in any one year may exceed the sum necessary for the Authority to meet its current obligations, such surplus funds may be retained by the Authority for the payment of principal and interest

on outstanding tax increment bonds or for other purposes as may be determined by the board to further the development program. Any surplus funds not so used shall revert proportionately to the respective taxing bodies as provided in the Act.

F. Duration of the Tax Increment Financing Plan

Duration of the Tax Increment Financing Plan will begin with adoption of the Plan by the Muskegon City Commission and will terminate when the Authority has completed the purpose for which it was organized and is dissolved by resolution of the City Commission. The duration of the Plan will not be longer than thirty (30) years, but will not be terminated until the principal and interest on any bonds issued pursuant to the Plan have been paid or funds sufficient to make the payments have been set aside for such purpose.

G. Impact on Assessed Values and Tax Revenues

The overall impact of the Development Plan and tax increment financing is expected to generate substantial increased economic activity in the Development Area, the Muskegon central business district, the City of Muskegon and Muskegon County. This increase in activity will, in turn, generate additional amounts of tax revenue to local taxing jurisdictions through increases in assessed valuations of real and personal property and from increases in personal income and new employment in the entire community and surrounding area.

As identified earlier under Section B of this Plan, the expected increases in assessed values for existing property and new

construction in the Development Area have been estimated for the 1984 and 1985 years.

For purposes of determining the estimated impact of this Tax Increment Financing Plan upon those taxing jurisdictions within the Development Area, estimates of captured assessed values were used along with the latest millage allocations (1981) to determine tax increment revenue amounts that would be shifted from these jurisdictions to the Authority to finance the project activities provided for in the Development Plan. These estimated amounts are shown in the following table.

SUMMARY OF TAX INCREMENT REVENUES BY TAXING JURISDICTIONS

1984 AND 1985 TAX YEARS

MUSKEGON HOTEL-CONVENTION CENTER TAX INCREMENT FINANCE DISTRICT

	1984 Tax Year		1985 Tax Year		Tax Increment Revenue	
	Captured Assessed Value	Tax Rate	Tax Increment Revenue	Captured Assessed Value		Tax Rate
City of Muskegon	\$ 2,272,100	.0163500	\$ 37,149	\$ 4,544,200	.0163500	\$ 74,298
Muskegon County	2,272,100	.0116890	26,559	4,544,200	.0116890	53,117
Muskegon Community School District	2,272,100	.0366264	83,219	4,544,200	.0366264	166,438

Tax rate used is the 1981 rate (1982 rate not yet determined).

Collection fee at the rate of .0004832 received by the City of Muskegon is not shown.

APPENDIX

LIST OF APPENDICES

- A. P.A. 450 of 1980 ("Tax Increment Finance Authority Act")
- B.1. Resolution of Intent to Establish a Tax Increment Authority (Muskegon City Commission: March 9, 1982)

Contains legal description of Tax Increment Finance Authority District.
- B.2. Resolution Establishing a Tax Increment Finance Authority (Muskegon City Commission: April 27, 1982)
- B.3. Confirmation of Appointments to Tax Increment Finance Authority Board (Muskegon City Commission: April 27, 1982)
- C. "Sources and Uses of Funds for Project" (City of Muskegon, UDAG Application (January, 1982))
- D. Memorandum of Understanding: Development of a Muskegon County Hotel and Convention Center Complex (January, 1982)

Act No. 450
Public Acts of 1930
Approved by Governor
January 15, 1931

STATE OF MICHIGAN
80TH LEGISLATURE
REGULAR SESSION OF 1980

Introduced by Senators DeMaso, Kelly and Scott

ENROLLED SENATE BILL No. 1216

AN ACT to prevent urban deterioration and encourage economic development and activity and to encourage neighborhood revitalization and historic preservation; to provide for the establishment of tax increment finance authorities and to prescribe their powers and duties; to authorize the acquisition and disposal of interests in real and personal property; to provide for the creation and implementation of development plans; to provide for the creation of a board to govern an authority and to prescribe its powers and duties; to permit the issuance of bonds and other evidences of indebtedness by an authority; and to permit the use of tax increment financing.

The People of the State of Michigan enact:

Sec. 1. As used in this act:

- (a) "Authority" means a tax increment finance authority created pursuant to this act.
- (b) "Authority district" means that area within which an authority shall exercise its powers and within which 1 or more development areas may exist.
- (c) "Board" means the governing body of an authority.
- (d) "Chief executive officer" means the mayor or city manager of a city, the president of a village, or the supervisor of a township.
- (e) "Development area" means that area to which a development plan is applicable.
- (f) "Development area citizens council" or "council" means that advisory body established pursuant to section 20.
- (g) "Development plan" means that information and those requirements for a development set forth in section 16.
- (h) "Development program" means the implementation of the development plan.
- (i) "Governing body" means the elected body of a municipality having legislative powers.
- (j) "Municipality" means a city.
- (k) "Public facility" means 1 or more of the following:
 - (i) A street, plaza, or pedestrian mall, and any improvements to a street, plaza, boulevard, alley, or pedestrian mall, including street furniture and beautification, park, parking facility, recreation facility,

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playground, school, library, public institution or administration building, right of way, structure, water-way, bridge, lake, pond, canal, utility line or pipeline, and other similar facilities and necessary easements of these facilities designed and dedicated to use by the public generally or used by a public agency.

(ii) The acquisition and disposal of real and personal property or interests therein, demolition of structures, site preparation, relocation costs, building rehabilitation, and all administrative costs related to the above, including, but not limited to, architect's, engineer's, legal, and accounting fees as contained in the resolution establishing the district's development plan.

(l) "Tax increment district" or "district" means that area to which the tax increment finance plan pertains.

(m) "Tax increment financing plan" means that information and those requirements set forth in sections 13 to 15.

Sec. 1a. This act shall be known and may be cited as "the tax increment finance authority act".

Sec. 2. (1) A municipality may establish not more than 1 authority. An authority shall exercise its powers in all development areas designated pursuant to this act.

(2) The authority shall be a public body corporate which may sue and be sued in any court of this state. The authority possesses all the powers necessary to carry out the purpose of its incorporation. The enumeration of a power in this act shall not be construed as a limitation upon the general powers of the authority. The powers granted in this act to an authority may be exercised notwithstanding that bonds are not issued by the authority.

Sec. 3. (1) When the governing body of a municipality determines that it is in the best interests of the public to halt a decline in property values, increase property tax valuation, eliminate the causes of the decline in property values, and to promote growth in an area in the municipality, the governing body of that municipality may declare by resolution its intention to create and provide for the operation of an authority.

(2) In the resolution of intent, the governing body shall set a date for the holding of a public hearing on the adoption of a proposed resolution creating the authority and designating the boundaries of the authority district. Notice of the public hearing shall be published twice in a newspaper of general circulation in the municipality, not less than 20 nor more than 40 days before the date of the hearing. Notice shall also be mailed to the property taxpayers of record in the proposed authority district not less than 20 days before the hearing. Failure to receive the notice shall not invalidate these proceedings. The notice shall state the date, time, and place of the hearing, and shall describe the boundaries of the proposed authority district. At that hearing, a citizen, taxpayer, or property owner of the municipality has the right to be heard in regard to the establishment of the authority and the boundaries of the proposed authority district. The governing body of the municipality shall not incorporate land into the authority district not included in the description contained in the notice of public hearing, but it may eliminate described lands from the authority district in the final determination of the boundaries.

(3) After the public hearing, if the governing body intends to proceed with the establishment of the authority, it shall adopt, by majority vote of its members, a resolution establishing the authority and designating the boundaries of the authority district within which the authority shall exercise its powers. The adoption of the resolution is subject to any applicable statutory or charter provisions with respect to the approval or disapproval by the chief executive or other officer of the municipality and the adoption of a resolution over his or her veto. This resolution shall be filed with the secretary of state promptly after its adoption and shall be published at least once in a newspaper of general circulation in the municipality.

(4) The governing body may alter or amend the boundaries of the authority district to include or exclude lands from the district in accordance with the same requirements prescribed for adopting the resolution creating the authority.

Sec. 4. (1) The authority shall be under the supervision and control of a board chosen by the governing body which may by majority vote designate any 1 of the following to constitute the board:

(a) The board of directors of the economic development corporation of the municipality established pursuant to Act No. 338 of the Public Acts of 1974, as amended, being sections 125.1601 to 125.1636 of the Michigan Compiled Laws.

(b) The trustees of the board of a downtown development authority established pursuant to Act No. 197 of the Public Acts of 1975, as amended, being sections 125.1651 to 125.1680 of the Michigan Compiled Laws.

(c) The trustees of the board of an urban redevelopment corporation established pursuant to Act No.

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250 of the Public Acts of 1941, as amended, being sections 125.901 to 125.922 of the Michigan Compiled Laws.

(d) The members of the commission established pursuant to Act No. 344 of the Public Acts of 1945, being sections 125.71 to 125.84 of the Michigan Compiled Laws.

(e) Not less than 7 nor more than 13 persons appointed by the chief executive officer of the municipality subject to the approval of the governing body. Of the members appointed, an equal number, as near as practicable, shall be appointed for 1 year, 2 years, 3 years, and 4 years. A member shall hold office until the member's successor is appointed. Thereafter, each member shall serve for a term of 4 years. An appointment to fill a vacancy shall be made by the chief executive officer of the municipality for the unexpired term only. Members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses.

(2) The chairperson of the board shall be elected by the board.

(3) Before assuming the duties of office, a member shall qualify by taking and subscribing to the constitutional oath of office.

(4) The board shall adopt rules governing its procedure and the holding of regular meetings, subject to the approval of the governing body. Special meetings may be held when called in the manner provided in the rules of the board. Meetings of the board shall be open to the public, in accordance with Act No. 267 of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

(5) Pursuant to notice and an opportunity to be heard, a member of the board appointed pursuant to subsection (1)(e) may be removed before the expiration of his or her term for cause by the governing body. Removal of a member is subject to the review by the circuit court.

(6) All expense items of the authority shall be publicized annually and the financial records shall be open to the public pursuant to Act No. 442 of the Public Acts of 1976, as amended, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

Sec. 5. (1) The board may employ and fix the compensation of a director, subject to the approval of the governing body. The director shall serve at the pleasure of the board. A member of the board is not eligible to hold the position of director. Before entering upon the duties of the office, the director shall take and subscribe to the constitutional oath and furnish bond by posting a bond in the penal sum determined in the resolution establishing the authority, payable to the authority for use and benefit of the authority, approved by the board, and filed with the clerk of the municipality. The premium on the bond shall be considered an operating expense of the authority, payable from funds available to the authority for expenses of operation. The director shall be the chief executive officer of the authority. Subject to the approval of the board, the director shall supervise and be responsible for the preparation of plans and the performance of the functions of the authority in the manner authorized by this act. The director shall attend the meetings of the board and shall render to the board and to the governing body a regular report covering the activities and financial condition of the authority. If the director is absent or disabled, the board may designate a qualified person as acting director to perform the duties of the office. Before entering upon the duties of the office, the acting director shall take and subscribe to the constitutional oath and furnish bond as required of the director. The director shall furnish the board with information or reports governing the operation of the authority as the board requires.

(2) The board may appoint or employ and fix the compensation of a treasurer who shall keep the financial records of the authority, and who, together with the director, if a director is appointed, shall approve all vouchers for the expenditure of funds of the authority. The treasurer shall perform such other duties as may be delegated by the board and shall furnish bond in an amount as prescribed by the board.

(3) The board may appoint or employ and fix the compensation of a secretary, who shall maintain custody of the official seal and of records, books, documents, or other papers not required to be maintained by the treasurer. The secretary shall attend meetings of the board and keep a record of its proceedings and shall perform such other duties as may be delegated by the board.

(4) The board may retain legal counsel to advise the board in the proper performance of its duties. The legal counsel shall represent the authority in actions brought by or against the authority.

(5) The board may employ other personnel considered necessary by the board.

(6) The employees of an authority may be eligible to participate in municipal retirement and insurance programs of the municipality as if they were civil service employees on the same basis as civil service employees.

Sec. 7. The board may:

(a) Prepare an analysis of economic changes taking place in the municipality and its environs as those changes relate to urban deterioration in the development areas.

(b) Study and analyze the impact of growth upon development areas.

(c) Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility, an existing building, or a multiple family dwelling unit which may be necessary or appropriate to the execution of a plan which, in the opinion of the board, aids in the revitalization and growth of the development area.

(d) Develop long-range plans, in cooperation with the agency which is chiefly responsible for planning in the municipality, designed to halt the decline of property values and to promote the growth of the development area, and take such steps as may be necessary to implement the plans to the fullest extent possible.

(e) Implement any plan of development in a development area necessary to achieve the purposes of this act, in accordance with the powers of the authority as granted by this act.

(f) Make and enter into contracts necessary or incidental to the exercise of its powers and the performance of its duties.

(g) Acquire by purchase or otherwise, on terms and conditions and in a manner the authority considers proper, own, convey, demolish, relocate, rehabilitate, or otherwise dispose of, or lease as lessor or lessee, land and other property, real or personal, or rights or interests therein, which the authority determines is reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options with respect thereto.

(h) 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.

(i) Fix, charge, and collect fees, rents, and charges for the use of any building or property or any part of a building or property under its control, or a facility in the building or on the property, and pledge the fees, rents, and charges for the payment of revenue bonds issued by the authority.

(j) Lease any building or property or part of a building or property under its control.

(k) Accept grants and donations of property, labor, or other things of value from a public or private source.

(l) Acquire and construct public facilities.

(m) Incur costs in connection with the performance of its authorized functions, including but not limited to, administrative costs, and architects, engineers, legal, and accounting fees.

Sec. 9. The authority shall be considered an instrumentality of a political subdivision for purposes of Act No. 227 of the Public Acts of 1972, being sections 213.321 to 213.332 of the Michigan Compiled Laws.

Sec. 10. A municipality may take private property under Act No. 87 of the Public Acts of 1980, being sections 213.51 to 213.77 of the Michigan Compiled Laws, for the purpose of transfer to the authority, and may transfer the property to the authority for use as authorized in the development program, on terms and conditions it considers appropriate. The taking, transfer, and use shall be considered necessary for public purposes and for the benefit of the public.

Sec. 11. The activities of the authority shall be financed from 1 or more of the following sources:

(a) Contributions to the authority for the performance of its functions.

(b) Revenues from any property, building, or facility owned, leased, licensed, or operated by the authority or under its control, subject to the limitations imposed upon the authority by trusts or other agreements.

(c) Tax increments received pursuant to a tax increment financing plan established under sections 13 to 15.

(d) Proceeds of tax increment bonds issued pursuant to section 15.

(e) Proceeds of revenue bonds issued pursuant to section 12.

(f) Money obtained from any other sources approved by the governing body of the municipality.

Sec. 12. (1) The authority may borrow money and issue its negotiable revenue bonds pursuant to Act No. 94 of the Public Acts of 1933, as amended, being section 141.101 to 141.139 of the Michigan Compiled Laws. Revenue bonds issued by the authority shall not, except as hereinafter provided, be considered a debt of the municipality or of the state.

(2) The municipality by majority vote of the members of its governing body may pledge its full faith and credit limited tax to support the authority's revenue bonds.

Sec. 13. (1) As used in this section and sections 14 and 15:

(a) "Captured assessed value" means the amount in any 1 year by which the current assessed value of the development area, including the assessed value of property for which a commercial facilities exemption certificate has been issued pursuant to Act No. 255 of the Public Acts of 1978, as amended, being sections 207.651 to 207.668 of the Michigan Compiled Laws, and the assessed value of property for which an industrial facilities exemption certificate has been issued pursuant to Act No. 198 of the Public Acts of 1974, as amended, being sections 207.551 to 207.571 of the Michigan Compiled Laws, exceeds the initial assessed value.

(b) "Initial assessed value" means the most recently assessed value, as finally equalized by the state board of equalization, of all the taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a commercial facilities exemption certificate or property for which an industrial facilities exemption certificate is in effect shall not be considered property which is exempt from taxation.

(2) When the authority determines that it is necessary for the achievement of the purposes of this act, the authority shall prepare and submit a tax increment financing plan to the governing body. The plan shall be in compliance with section 14, shall include a development plan as provided in section 16, and shall contain a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness, if any, to be incurred, and the duration of the development program. The plan shall contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the development area is located. The plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used by the authority shall be clearly stated in the tax increment financing plan.

(3) Approval of the tax increment financing plan shall be in accordance with the notice, hearing, and disclosure provisions of section 17. When the development plan is part of the tax increment financing plan, only 1 hearing and approval procedure is required for the 2 plans together.

(4) Before the public hearing on the tax increment financing plan, the governing body shall provide a reasonable opportunity to the members of the county board of commissioners of a county in which any portion of the development area is located and to the members of the school board of any school district in which any portion of the development area is located to meet with the governing body. The authority shall fully inform members of the county boards of commissioners and of the school boards of the fiscal and economic implications of the proposed tax increment financing plan. The members of the county boards of commissioners and of the school boards may present their recommendations at the public hearing on the tax increment financing plan. The authority may enter into agreements with the county board of commissioners, the school boards, and the governing body of the municipality in which the development area is located to share a portion of the captured assessed value of the district.

(5) A tax increment financing plan may be modified if the modification is approved by the governing body upon notice and after public hearing and agreement as required for approval of the original plan.

Sec. 14. (1) The amount of tax increment to be transmitted to the authority by the municipal and county treasurers shall be that portion of the tax levy of all taxing bodies paid each year on real and personal property in the development area on the captured assessed value. For the purposes of this section, that portion of a commercial facilities tax levied pursuant to section 12 of Act No. 255 of the Public Acts of 1978, being section 207.662 of the Michigan Compiled Laws, or that portion of an industrial facilities tax levied pursuant to section 11 of Act No. 198 of the Public Acts of 1974, as amended, being section 207.561 of the Michigan Compiled Laws, which is attributable to the captured assessed value of the facility shall be included as a part of the tax increment to be transmitted to the authority.

(2) The authority shall expend the tax increments received for the development program only in accordance with the tax increment financing plan. Surplus funds may be retained by the authority for the payment of the principal of and interest on outstanding tax increment bonds or for other purposes, that by resolution of the board, are determined to further the development program. Any surplus funds not so used shall revert proportionately to the respective taxing bodies. These revenues shall not be used to circumvent existing property tax laws or a local charter which provides a maximum authorized rate for levy of property taxes. The governing body may abolish the tax increment financing plan when it finds that the purposes for which the plan was established are accomplished. However, the tax increment finance plan may not be

abolished until the principal of and interest on bonds issued pursuant to section 15 have been paid or funds sufficient to make such payment have been segregated.

(3) The authority shall submit annually to the governing body a financial report on the status of the tax increment financing plan. The report shall include: the amount and source of tax increments received; the amount in any bond reserve account; the amount and purpose of expenditures of tax increment revenues; the amount of principal and interest on any outstanding bonded indebtedness; the initial assessed value of the development area; the captured assessed value retained by the authority; and any additional information the governing body considers necessary. The report shall be published in a newspaper of general circulation in the municipality.

Sec. 15. (1) By resolution of its board, the authority may authorize, issue, and sell its tax increment bonds, subject to the limitations set forth in this section, to finance a development program. The bonds shall mature in not more than 30 years and shall be subject to Act No. 202 of the Public Acts of 1943, as amended, being sections 131.1 to 133.2 of the Michigan Compiled Laws. The authority may pledge for annual debt service requirements in any 1 year not more than 80% of the estimated tax increment revenue to be received from a development area for that year, and the total aggregate amount of borrowing shall not exceed an amount which the 80% of the estimated tax increment revenue will service as to annual principal and interest requirements. The bonds issued under this section shall be considered a single series for the purposes of section 4 of chapter V of Act No. 202 of the Public Acts of 1943, as amended, being section 135.4 of the Michigan Compiled Laws.

(2) The municipality by majority vote of the members of its governing body may pledge its full faith and credit for the payment of the principal of and interest on the authority's tax increment bonds.

Sec. 16. (1) When a board decides to finance a project in a development area pursuant to this act, it shall prepare a development plan.

(2) To the extent necessary to accomplish the proposed development program the development plan shall contain:

(a) The designation of boundaries of the development area in relation to the boundaries of the authority district and any other development areas within the authority district.

(b) The designation of boundaries of the development area in relation to highways, streets, or otherwise.

(c) The location and extent of existing streets and other public facilities within the development area and the location, character, and extent of the categories of public and private land uses then existing and proposed for the development area, including residential, recreational, commercial, industrial, educational, and other uses and shall include a legal description of the development area.

(d) A description of improvements to be made in the development area, a description of any repairs and alterations necessary to make those improvements, and an estimate of the time required for completion of the improvements.

(e) The location, extent, character, and estimated cost of the improvements including rehabilitation contemplated for the development area and an estimate of the time required for completion.

(f) A statement of the construction or stages of construction planned, and the estimated time of completion of each stage.

(g) A description of any parts of the development area to be left as open space and the use contemplated for the space.

(h) A description of any portions of the development area which the authority desires to sell, donate, exchange, or lease to or from the municipality and the proposed terms.

(i) A description of desired zoning changes and changes in streets, street levels, intersections, and utilities.

(j) An estimate of the cost of the development, a statement of the proposed method of financing the development, and the ability of the authority to arrange the financing.

(k) Designation of the person or persons, natural or corporate, to whom all or a portion of the development is to be leased, sold, or conveyed and for whose benefit the project is being undertaken, if that information is available to the authority.

(l) The procedures for bidding for the leasing, purchasing, or conveying of all or a portion of the development upon its completion, if there is no express or implied agreement between the authority and persons, natural or corporate, that all or a portion of the development will be leased, sold, or conveyed to those persons.

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(m) Estimates of the number of persons residing in the development area and the number of families and individuals to be displaced. If occupied residences are designated for acquisition and clearance by the authority, a development plan shall include a survey of the families and individuals to be displaced, including their income and racial composition, a statistical description of the housing supply in the community, including the number of private and public units in existence or under construction, the condition of those in existence, the number of owner-occupied and renter-occupied units, the annual rate of turnover of the various types of housing and the range of rents and sale prices, an estimate of the total demand for housing in the community, and the estimated capacity of private and public housing available to displaced families and individuals.

(n) A plan for establishing priority for the relocation of persons displaced by the development in any new housing in the development area.

(o) Provision for the costs of relocating persons displaced by the development, and financial assistance and reimbursement of expenses, including litigation expenses and expenses incident to the transfer of title, in accordance with the standards and provisions of the federal uniform relocation assistance and real property acquisition policies act of 1970, 42 U.S.C. 4601 to 4655.

(p) A plan for compliance with Act No. 227 of the Public Acts of 1972, being sections 213.321 to 213.332 of the Michigan Compiled Laws.

(q) Other material which the authority, local public agency, or governing body considers pertinent.

(3) It shall not be necessary for the board to prepare a development plan pursuant to this section where a development plan that adequately provides for accomplishing the proposed development program has already been prepared by any of the organizations described in section 4(1)(a) to (d) and where the development plan has been approved by the board and governing body pursuant to sections 17 and 18.

Sec. 17. (1) The governing body, before adoption of a resolution approving a development plan or tax increment financing plan, shall hold a public hearing on the development plan. Notice of the time and place of the hearing shall be given by publication twice in a newspaper of general circulation designated by the municipality, the first of which shall not be less than 20 days before the date set for the hearing. Notice shall also be mailed to all property taxpayers of record in the development area not less than 20 days before the hearing.

(2) Notice of the time and place of hearing on a development plan shall contain the following:

(a) A description of the proposed development area in relation to highways, streets, streams, or otherwise.

(b) A statement that maps, plats, and a description of the development plan, including the method of relocating families and individuals who may be displaced from the area, are available for public inspection at a place designated in the notice, and that all aspects of the development plan will be open for discussion at the public hearing.

(c) Other information that the governing body considers appropriate.

(3) At the time set for hearing, the governing body shall provide an opportunity for interested persons to be heard and shall receive and consider communications in writing with reference thereto. The hearing shall provide the fullest opportunity for expression of opinion, for argument on the merits, and for introduction of documentary evidence pertinent to the development plan. The governing body shall make and preserve a record of the public hearing, including all data presented at that time.

Sec. 18. (1) The governing body, after a public hearing on the development plan or the tax increment financing plan, or both, with notice given pursuant to section 17, shall determine whether the development plan or tax increment financing plan constitutes a public purpose. If it determines that the development plan or tax increment financing plan constitutes a public purpose, it shall then approve or reject the plan, or approve it with modification, by resolution based on the following considerations:

(a) The findings and recommendations of a development area citizens council, if a development area citizens council was formed.

(b) Whether the plan meets the requirements set forth in section 16(2).

(c) Whether the proposed method of financing the development is feasible and the authority has the ability to arrange the financing.

(d) Whether the development is reasonable and necessary to carry out the purposes of this act.

(e) Whether the land to be acquired within the development area is reasonably necessary to carry out the purposes of the plan and the purposes of this act.

(f) Whether the development plan is in reasonable accord with the approved master plan of the municipality, if an approved master plan exists.

(g) Whether public services, such as fire and police protection and utilities, are or will be adequate to service the development area.

(h) Whether changes in zoning, streets, street levels, intersections, and utilities are reasonably necessary for the project and for the municipality.

(2) Amendments to an approved development plan or tax increment plan must be submitted by the authority to the governing body for approval or rejection.

Sec. 19. A person to be relocated under this act shall be given not less than 90 days' written notice to vacate unless modified by court order for good cause.

Sec. 20. (1) A development area citizens council shall be established if the proposed development area has 100 or more persons residing within it and a change in zoning or a taking of property by eminent domain is necessary to accomplish the proposed development program. The council shall act as an advisory body to the authority and the governing body in the adoption of the development plan or tax increment financing plan.

(2) If a development area citizens council is required, the council shall be appointed by the governing body, and shall consist of not less than 9 members. Each member shall be at least 18 years of age and reside in the development area. The council shall be established at least 60 days before the public hearing on the development plan or the tax increment financing plan, or both.

(3) If a development area citizens council is required pursuant to subsection (1) and if the authority was established pursuant to section 4(1)(a), (b), (c), or (d), a council established in conjunction with any of those boards or commissions, may serve in an advisory capacity to the authority, if the authority determines it is representative of the development area.

Sec. 21. Periodically a representative of the authority responsible for preparation of a development or tax increment financing plan within the development area shall consult with and advise the development area citizens council regarding the aspects of a development plan, including the development of new housing for relocation purposes located either inside or outside of the development area. The consultation shall begin before any final decisions by the authority and the governing body regarding a development or tax increment financing plan. The consultation shall continue throughout the preparation and implementation of the development or tax increment financing plan.

Sec. 22. (1) Meetings of the council shall be open to the public. Notice of the time and place of the meetings shall be posted in at least 10 conspicuous places in the development area accessible to the public not less than 5 days before the dates set for meetings of the council. A person present at those meetings shall have reasonable opportunity to be heard.

(2) A record of the meetings of a council, including information and data presented, shall be maintained by the council.

(3) A council may request of and receive from the authority information and technical assistance relevant to the preparation of the development plan for the development area.

(4) Failure of a council to organize or to consult with and be advised by the authority, or failure to advise the governing body, as provided in this act, shall not preclude the adoption of a development plan by a municipality if the municipality complies with the other provisions of this act.

Sec. 23. Within 20 days after the public hearing on a development or tax increment financing plan, the council, if established, shall notify the governing body, in writing, of its findings and recommendations concerning a proposed development plan.

Sec. 24. A development area citizens council may not be required and, if formed, may be dissolved in any of the following situations:

(a) On petition of not less than 20% of the adult resident population of the development area by the last federal decennial or municipal census, a governing body, after public hearing with notice given in accordance with section 17 and by a 2/3 vote, may adopt a resolution eliminating the necessity of a council for the development area.

(b) If there are less than 18 residents located in the development area eligible to serve on the council.

(c) Upon termination of the authority by resolution of the governing body.

This document paid for with State funds.

Sec. 25. (1) The director of the authority shall prepare and submit for the approval of the board a budget for the operation of the authority for the ensuing fiscal year. The budget shall be prepared in the manner and contain the information required of municipal departments. Before the budget may be adopted by the board, it shall be approved by the governing body. Funds of the municipality shall not be included in the budget of the authority except those funds authorized in this act or by the governing body.

(2) The governing body may assess a reasonable pro rata share of the funds for the cost of handling and auditing the funds against the funds of the authority, other than those committed for designated purposes, which cost shall be paid annually by the board pursuant to an appropriate item in its budget.

Sec. 26. (1) A public facility, building, or structure which is determined by the municipality to have significant historical interests shall be preserved in a manner as considered necessary by the municipality in accordance with laws relative to the preservation of historical sites.

(2) An authority shall refer all proposed changes to the exterior of sites listed on the state register of historic sites and the national register of historic places to the applicable historic district commission created under Act No. 169 of the Public Acts of 1970, as amended, being sections 399.201 to 399.212 of the Michigan Compiled Laws, or the secretary of state for review.

Sec. 27. An authority which has completed the purposes for which it was organized shall be dissolved by resolution of the governing body. The property and assets of the authority remaining after the satisfaction of the obligations of the authority shall belong to the municipality.

This act is ordered to take immediate effect.

William C. Londer

Secretary of the Senate.

T. Thos. Thatcher

Clerk of the House of Representatives.

Approved

.....
Governor.

This document found for with State funds.

March 9, 1982

82-117. Resolution of Intent to Establish a Tax Increment Authority Adopted:

- a. Resolution Setting Hearing Date of April 13, 1982, Adopted.

The following preamble and resolution were offered by Commissioner Holcomb and supported by Commissioner Freye:

WHEREAS, the City of Muskegon (the "City") is authorized by the provisions of Act No. 450, Public Acts of Michigan, 1980, ("Act No. 450") to create a tax increment finance authority; and

WHEREAS, the City Commission determines that it is in the best interests of the City to consider the creation of a tax increment finance authority; and

March 9, 1982

82-117. (a). Continued.

WHEREAS, a proposed resolution designating an authority district and incorporating a tax increment finance authority pursuant to Act No. 450 has been presented to the City Commission; and

WHEREAS, it is necessary to conduct a Public Hearing therefor as required by Act No. 450.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The City Commission of the City determines that it is in the best interest of the public to create a tax increment finance authority pursuant to Act No. 450 in order to halt a decline in property values, increase property tax valuation, eliminate the causes of decline in property values and to promote economic growth in the proposed authority district.

2. The district subject to the jurisdiction of the tax increment finance authority as provided in Act No. 450 is hereby tentatively designated to be as follows:

Land in the Revised Plat of the City of Muskegon of 1903 as follows:

Lot 1, Block 566,

Lots 2 and 3 and the East 1-1/2 feet of Lot 4, Block 566,

Lot 4, except the East 1-1/2 feet thereof, and all of Lots 5 and 6 of Block 566,

Lot 7 and the East 4 inches of Lot 8, Block 566,

Lot 8, except the East 4 inches thereof, and all of Lots 9, 10 and 11; also Lot 12, except the Southwesterly .6 of one foot, more or less, of Block 566,

Entire Lots 13 and 14 of Block 566, and part of Lot 15 of Block 566 and part of Lot 1 of Block 567, described as follows: Commencing at the most Southerly corner of Lot 14 of Block 566, thence South 48° 29' West along the Northerly line of Western Avenue 31.75 feet, thence North 41° 36' West 122 feet, thence Northeasterly on a curve to the left with a radius of 209.79 feet to the most Northerly corner of said Lot 14, thence South 48° 29' West 19 feet, thence South 41° 36' East 113 feet to the point of beginning; also the Southwesterly .6 of one foot, more or less, of Lot 12, Block 566,

March 9, 1982

82-117. (a). Continued.

The entire Lots 16, 17, and 18 of Block 566 and part of Lot 15 of Block 566 described as follows: Commencing at the most Northerly corner of Lot 15, thence Southeasterly to the most Easterly corner of said lot, thence Southwesterly to the Southerly line of said lot, thence Northwesterly 15 feet more or less to the most Westerly corner of said Lot 15, thence Northeasterly to the point of beginning,

Part of Lot 1 of Block 567, commencing at the Southwest corner of Lot 1 of Block 567, thence North $48^{\circ} 29'$ East along the North line of Western Avenue 420.89 feet, for point of beginning; thence North $41^{\circ} 32'$ West 411.4 feet to the East line of the C & O Right-of-Way, thence Northeasterly along the said right-of-way to the South line of Third Street, thence South 44° East 244.75 feet to the Northerly corner of Block 566, thence Southwesterly to the most Westerly corner of Block 566, thence South $41^{\circ} 36'$ East 205 feet, more or less, thence Southwesterly on a curve to the right with a radius of 209.79 feet a distance of 83 feet, more or less, thence South $27^{\circ} 32'$ East 48.6 feet, thence Southeasterly on a curve to the left with a radius of 357 feet to a point 7.86 feet from the Northerly line of Western Avenue, thence South $41^{\circ} 36'$ East 7.86 feet to the Northerly line of Western Avenue, thence South $48^{\circ} 29'$ West 44 feet to the place of beginning.

The following Public Right-of-Ways, a part of the 1903 Revised Plat, City of Muskegon, adopted April 9, 1903:

Third Street Right-of-Way; commence at the Southerly property line of Western Avenue, thence Northerly to the Southerly right-of-way of the C & O Railroad.

Western Avenue Right-of-Way; commence at the Westerly property line of Third Street, thence Westerly to the most Easterly line of the L. C. Walker Building line as extended.

Fourth Street between the Southerly line of Western Avenue and the C & O Railroad.

Morris Avenue between the Easterly line of Third Street and the Westerly line of Fourth Street.

The East-West Alley between Third and Fourth Streets in Block 566.

3. There shall be a Public Hearing on Tuesday the 13th day of April, 1982, at 7:30 o'clock P.M., Eastern Standard Time, at the City Commission Room at City Hall, 933 Terrace Street, in the City, to consider creation of a tax increment finance authority and the designation of the district therefor.

March 9, 1982

82-117. (a). Continued.

4. The City Clerk shall cause notice of said Hearing to be published in the Muskegon Chronicle, a newspaper of general Circulation in the City, twice before the Hearing, publication to be not less than 20, nor more than 40, days before the date set for the Hearing. The Notice shall be published as a display advertisement prominent in size. The Clerk shall also cause the notice to be mailed by first class mail to all property owners in the proposed district as shown by the most recent tax roll of the City at least 20 days prior to the Hearing.

5. The Notice of the Hearing shall be in substantially the following form:

CITY OF MUSKEGON
MUSKEGON COUNTY, MICHIGAN

NOTICE OF PUBLIC HEARING

ON

CREATING AND PROVIDING FOR THE OPERATION OF A
TAX ABATEMENT FINANCE AUTHORITY FOR THE CITY OF MUSKEGON

TO: EVERY CITIZEN, TAXPAYER OR PROPERTY OWNER OF THE
CITY OF MUSKEGON:

PLEASE TAKE NOTICE that a Public Hearing will be held in City of Muskegon Commission Chambers at the Muskegon City Hall, 933 Terrace Street, on Tuesday, April 13, 1982, at 7:30 o'clock P.M. to consider on the adoption of a proposed resolution creating a Tax Increment Finance Authority for the City of Muskegon and further designating the boundaries of the Tax Increment Finance Authority District.

A copy of the proposed resolution to create the said authority and the proposed designated boundaries of the authority district is on file at the Office of the City Clerk, City Hall, 933 Terrace Street, Muskegon, Michigan, for public inspection and the obtaining of copies thereof.

The Office of the City Clerk is open to the public for all such purposes from 8:30 A.M. to 5:00 P.M. Monday through Friday.

At the Hearing any citizen, taxpayer or property owner of the City has the right to be heard in regard to the establishment of the Authority and the boundaries of the proposed Authority District.

March 9, 1982

82-117. (a). Continued.

The boundaries of the proposed Authority District are as follows:

(Legal description as set forth in Resolution)

This Notice of Public Hearing is given in accordance with the requirements of Act No. 450 of the Public Acts of 1980, State of Michigan, which Act authorizes the creation of a Tax Increment Finance Authority for the City.

Marva A. Vasquez, City Clerk,
City of Muskegon

6. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

Dated this 9th day of March, 1982.

ADOPTED: Yeas, Commissioners Larson, VanLente, Walcott, Freye, Holcomb, and Jones.

Nays, None.

April 27, 1982

April 27, 1982

82-196. Resolution Establishing Tax Increment Finance Authority
Adopted.

Moved by Commissioner Larson and supported by Commissioner Holcomb that the action adjourning the Hearing concerning a Tax Increment Finance Authority for the City to May 11, 1982, be rescinded, and further that the proposed Resolution Establishing a Tax Increment Financing Authority for the City of Muskegon and Designating the Boundaries of the Tax Increment Finance Authority District be adopted as follows:

April 27, 1982

82-196. Continued.

The City Commission for the City of Muskegon hereby Resolves:

A Public Hearing pursuant to Act No. 450 of the Public Acts of 1980 has been held in the City Commission Chambers on April 13, 1982, pursuant to notice, and all citizens, taxpayers and property owners of the City having been given the right to be heard in regard to the establishment of a Tax Increment Finance Authority and the boundaries of the proposed Authority District, and proper notice having been given, and further,

The Commission having deliberated regarding the question and having considered all the comments and statements in favor of and in opposition to the proposed action and the City Commission deeming itself fully informed and prepared to take action on the proposed Authority and District:

IT IS HEREBY RESOLVED that the City Commission does hereby create and provide for the operation of the Tax Increment Finance Authority for the City of Muskegon and it is by this Resolution so established in accordance with Act No. 450 of the Public Acts of 1980. That Authority is established as a body corporate and shall possess all the powers granted by the said Act and shall have all those powers necessary to carry out its purposes as set forth in the said Act.

The said Authority is established in compliance with Section 4(1)(e) of Act No. 450 of the Public Acts of 1980 and shall consist of nine persons to be appointed by the Mayor, subject to the approval of the Commission. Appointments shall be made for terms and in the manner set forth in the said Act. Persons appointed shall constitute the Board of the Authority and shall act in accordance with statute.

IT IS FURTHER RESOLVED, that the boundaries of the Tax Increment Finance Authority District are determined to be as follows:

Land in the Revised Plat of the City of Muskegon of 1903 as follows:

Lot 1, Block 566,

Lots 2 and 3 and the East 1-1/2 feet of Lot 4, Block 566,

Lot 4, except the East 1-1/2 feet thereof, and all of Lots 5 and 6 of Block 566,

Lot 7 and the East 4 inches of Lot 8, Block 566,

April 27, 1982

82-196. Continued.

Lot 8, except the East 4 inches thereof, and all of Lot 9, 10 and 11; also Lot 12, except the Southwesterly .6 of one foot, more or less, of Block 566,

Entire Lots 13 and 14 of Block 566, and part of Lot 15 of Block 566 and part of Lot 1 of Block 567, described as follows: Commencing at the most Southerly corner of Lot 14 of Block 566, thence South $48^{\circ} 29'$ West along the Northerly line of Western Avenue 31.75 feet, thence North $41^{\circ} 36'$ West 122 feet, thence Northeasterly on a curve to the left with a radius of 209.75 feet to the most Northerly corner of said Lot 14, thence South $48^{\circ} 29'$ West 19 feet, thence South $41^{\circ} 36'$ East 113 feet to the point of beginning; also the Southwesterly .6 of one foot, more or less, of Lot 12, Block 566,

The entire Lots 16, 17, and 18 of Block 566 and part of Lot 15 of Block 566 described as follows: Commencing at the most Northerly corner of Lot 15, thence Southeasterly to the most Easterly corner of said lot, thence Southwesterly to the Southerly line of said lot, thence Northwesterly 15 feet more or less to the most Westerly corner of said Lot 15, thence Northeasterly to the point of beginning,

Part of Lot 1 of Block 567, commencing at the Southwest corner of Lot 1 of Block 567, thence North $48^{\circ} 29'$ East along the North line of Western Avenue 420.89 feet, for point of beginning; thence North $41^{\circ} 32'$ West 411.4 feet to the East line of the C & O Right-of-Way, thence Northeasterly along the said right-of-way to the South line of Third Street, thence South 44° East 244.75 feet to the Northerly corner of Block 566, thence Southwesterly to the most Westerly corner of Block 566, thence South $41^{\circ} 36'$ East 205 feet, more or less, thence Southwesterly on a curve to the right with a radius of 209.79 feet a distance of 83 feet, more or less, thence South $27^{\circ} 32'$ East 48.6 feet, thence Southeasterly on a curve to the left with a radius of 357 feet to a point 7.86 feet from the Northerly line of Western Avenue, thence South $41^{\circ} 36'$ East 7.86 feet to the Northerly line of Western Avenue, thence South $48^{\circ} 29'$ West 44 feet to the place of beginning.

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Western Avenue Right-of-Way; commence at the Westerly property line of Third Street, thence Westerly to the most Easterly line of the L. C. Walker Building line as extended.

April 27, 1982

82-196. Continued.

Fourth Street between the Southerly line of Western Avenue and the C & O Railroad.

Morris Avenue between the Easterly line of Third Street and the Westerly line of Fourth Street.

The East-West Alley between Third and Fourth Streets in Block 506.

The City Clerk shall place this Resolution on file and shall file a Certified copy of this Resolution with the Secretary of State for the State of Michigan promptly. In addition, the City Clerk shall publish this Resolution in the Muskegon Chronicle forthwith.

Dated this 27th day of April, 1982.

ADOPTED: Yeas, Commissioners Holcomb, Jones, Larson, VanLente, Walcott, and Freye.

Nays, None.

April 27, 1982

82-197. Confirmation of Appointments to Tax Increment Finance Authority Board.

The City Manager presented appointments to the Tax Increment Finance Authority Board.

Moved by Commissioner VanLente and supported by Commissioner Freye that the appointments be confirmed.

ADOPTED: Yeas, Commissioners Jones, Larson, VanLente, Walcott, Freye, and Holcomb.

Nays, None.

Appendix C

SOURCES AND USES OF FUNDS FOR PROJECT

Instructions: For projects which consist of only one transactions, complete this page only. For projects with multiple transactions, complete this page as a summary and a copy of part 2 for each transaction.

PROJECT BUDGET -- SUMMARY OF PROPOSED EXPENDITURES

Line Item Activity	SOURCES OF FUNDS			
	UDAG Funds	Private Funds	Other Funds (Specify)	Total
Land Acquisition	-0-	-0-	County \$ 800,000	\$ 800,000
Relocation of Persons and Businesses	-0-	-0-	County \$ 70,000	\$ 70,000
Clearance and Demolition, and Site Preparation	-0-	-0-	County \$ 80,000	\$ 80,000
Streets & Site Improvements	-0-	-0-	City \$ 550,000	\$ 550,000
Water and Sewer Facilities	-0-	-0-	-0-	-0-
Foundations and Platforms	-0-	-0-	-0-	-0-
Parking Facilities	-0-	-0-	City \$1,500,000	\$ 1,500,000
Pedestrian Malls	-0-	-0-	-0-	-0-
Furniture	-0-	-0-	County \$ 1,000,000	\$ 1,000,000

Hotel
① of 8

CARLEY CAPITAL GROUP

315 WEST WISCONSIN STREET • MADISON WISCONSIN 53703 • (608) 223-2432

January 26, 1982

Mr. George Arwady, Chairman
Muskegon County Convention Center Committee
c/o The Muskegon Chronicle
981 Third Street
Muskegon, MI 49443

Mr. Ralph Precious
County Administrator
Muskegon County Building
Muskegon, MI 49440

Mr. William Gleason
City Manager
Muskegon City Hall
933 Terrace Street
Muskegon, MI 49443

Dear Messrs. Arwady, Precious and Gleason:

Attached please find a six-page memorandum of understanding covering the verbal agreement we reached January 22 in Chicago regarding the proposed Muskegon County Hotel and Convention Center.

The Carley Capital Group concurs with the terms of this memorandum. For clarification, we note in connection with item I.M. that the developer (Carley) will seek tax-exempt, non-recourse financing for the first mortgage.

I will represent Carley at meetings scheduled this Thursday to discuss this memorandum with appropriate city and county officials.

We are looking forward to a continuing relationship that will culminate in the construction of a successful convention center and hotel in Muskegon County.

Sincerely,


George A. Mitchell

GAM:bn
Attachment

MEMORANDUM OF UNDERSTANDING

(2) of 8

Development of a Muskegon County Hotel and Convention Center Complex

January 25, 1982

This memorandum serves to outline an agreement between the Carley Capital Group, located in Madison, Wisconsin, and the City and County of Muskegon, Michigan, to develop a Muskegon County Hotel and convention center complex in downtown Muskegon. The terms and conditions presented herewith were verbally agreed on January 22, 1982, in discussions held between all parties at the Evanston offices of Barton-Aschman Associates, consultant to the city and county. If executed, this agreement should lead to development of a major convention hotel in downtown Muskegon with construction beginning this year and actual operation in 1984.

This memorandum, if accepted, should lead to negotiations of a detailed development contract between the respective parties. There are numerous legal and operational details which must be agreed upon prior to construction of the hotel/convention center. However, this memorandum establishes the framework for those negotiations and should serve to expedite future detailed discussions.

The memorandum is subject to ratification by the City of Muskegon and Muskegon County. The city and county representatives have clearly stated that any binding participation by the respective jurisdictions must be formally approved by the elected body. This memorandum should be endorsed by the city and the county elected bodies, and the subsequent development contract accordingly ratified.

The financial plan included in this memorandum requires participation by the United States Federal Government in the form of an Urban Development Action Grant for \$3 million. Failure to receive federal funds along the terms specified herein would render the development proposal infeasible and negate the terms and conditions of this memorandum.

If this memorandum is agreeable to all parties, a number of complementary activities should commence immediately. A UDAG (Urban Development Action Grant) application should be filed by the City of Muskegon by the end of January, 1982. Documentation for the grant application will be required from the city, county, and developer. While there is no assurance that the project will receive federal funding, a similar project proposed once before in Muskegon was approved.

Representatives and attorneys for the city, county, and developer should commence refinement of a development contract after acceptance of this memorandum and discussions with federal officials regarding potential UDAG participation. All parties agree that it would be desirable to initiate construction on the new facility at the earliest possible date.

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in light of the availability of surplus labor currently in Muskegon. All parties agreed to work to this end.

The paragraphs below depict the responsibility of the three parties, as referenced.

I. The Developer's Responsibility

Carley Capital Group, located in Madison, Wisconsin, will be the developer of the project. As developer, Carley will have the following responsibilities, to be further refined and stipulated in a development contract.

- a) Carley will develop a first class convention hotel in downtown Muskegon on a site located between Third, Fourth, Western and Terrace of approximately 200 rooms in conformance with an agreed site plan, subject to architectural and engineering modifications.
- b) Construction of the hotel and convention center is to begin in 1982 and the project opening will occur by Spring, 1984, unless conditions arise beyond control of the developer such as delays in federal funding, extended legal negotiations, further deterioration in the financing markets, adverse weather conditions, and other such difficulties.
- c) Carley Capital Group will retain ownership and hire a professional management firm for the hotel. Carley and potential limited investors will have the right to sell the hotel and accompanying lease and purchase agreements after completion and at least one full year of operation.
- d) The developer will have committed at least \$8.6 million in equity and long term financing prior to construction of the hotel and convention center. The relative amount of equity and debt will be determined by the developer.
- e) The developer will execute a lease or purchase contract with the City of Muskegon for an on-site parking structure. The management responsibility of the parking structure will be determined in subsequent negotiations. If the City of Muskegon manages the facility, the developer will compensate the city for such services. If the developer manages the facility, the developer must agree that those spaces not designated for the hotel will remain open and accessible to the Muskegon public.

If the developer seeks to execute a purchase contract with the City of Muskegon, the contract shall be for the amount of the outstanding debt unless otherwise mutually agreed and permissible under Michigan State law.

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- f) The developer shall lease or sign a purchase contract for the land and a convention center facility to be funded by Muskegon County as referenced in the paragraphs under "County Responsibility."
- g) The developer's responsibility, as well as the city and county responsibilities, are contingent upon receipt of \$3 million in federal Urban Development Action Grant funds and a payback period which is mutually agreeable between all parties.
- h) The developer agrees to manage and operate the convention facility subject to the terms of the lease or purchase contract to be negotiated. However, the county shall not have the responsibility of paying any operating deficits or management costs associated with such a facility.
- i) The \$3.8 million of county funds (see County Responsibilities) to be used for land acquisition and convention center construction will be personally guaranteed by James and David Carley.
- j) The developer will provide a list of "soft costs" incurred in the development, estimated to be \$4 million. Such a list should specify fees, taxes, interest, and other items to be included in the specific funding amounts allocated for such items.
- k) The developer shall provide a construction costs budget when it is finally negotiated with the contractor and before commitment of any public funds to the project. Construction costs are estimated to be \$9.6 million. Any additional construction costs over this amount would be the responsibility of the developer. Any funded cost savings may, at the discretion of the developer, be used to: (1) make further improvements in the hotel facility not currently contemplated, (2) offset any operating deficits in the first three years, or (3) reimburse the developer and the county for their development efforts on a 50 percent - 50 percent basis--that is, cost savings would be shared equally between the county and the developer by virtue of the joint investment position of the county funding and owning the convention center and the developer funding and owning other facilities including rooms. At the conclusion of construction, the developer shall inform the county which of the three options it will pursue if funded cost savings are achieved.
- l) The developer will execute this Memorandum of Understanding and proceed to negotiate a development contract with the City of Muskegon and Muskegon County, subject to mutual agreement of the detailed terms and conditions.
- m) The developer's commitment is predicated upon the availability of financing for approximately \$5 million at rates and terms available in the current market (January 17-22, 1982). Deterioration of financial markets leading to increased interest rates or more adverse terms at the time the project would be financed

5³ of 8

would allow the developer to delay or withdraw his commitment unless other wise mutually agreed.

- n) The developer will not seek property tax abatement or relief, as permitted under Michigan State Law, to allow the city to fund a tax increment district.

II. City of Muskegon Responsibilities

The City of Muskegon will have the following responsibilities as part of the hotel/convention center development:

- a) The city will provide a parking structure to be located on-site generally between Terrace and Morris. The city will guarantee availability of 200 parking spaces for the hotel upon opening the hotel.

If desired by the developer, the City will sign a sales agreement or option for the parking facility under terms to be mutually agreed.

- b) The city will provide landscaping in the vicinity of the hotel, particularly along Western Avenue and Third Street in the public right-of-way.
- c) The city will undertake necessary traffic improvements, including street straightening, signalization, and signage, as necessary for the safety and welfare of the community.
- d) The city will retain ownership of land under the parking garage but will sign a purchase contract on mutually agreeable terms, as desired by the city and the developer. Any additional city-owned land or property which is not used for parking but is necessary for construction of the hotel and convention and ancillary facilities will be leased to Muskegon County for \$1 per year or on terms otherwise agreeable between the county and the city, for a period of no less than 40 years, and not unless otherwise agreed by the developer and participating financial institutions. The county shall have the right to release the property to the developer for construction of a hotel/convention center complex.

The city shall vacate Morris Avenue and use the right-of-way for construction of a parking facility and/or lease of the right-of-way to the county on the above agreed basis for construction of the hotel and convention center complex. The Morris Avenue vacation shall be between Third and Fourth Streets only.

- e) The estimated level of City responsibility is \$2.05 million. The city shall fund these improvements using whatever financing sources the city deems desirable. Sources may include tax increment financing, other federal funds such as Community Development Block Grants, general city revenues, donations, general obligation bonds, and other funding vehicles.

Page 8

III. Muskegon County Responsibilities

The County of Muskegon shall have the following responsibilities as part of the hotel/convention center development contract.

- a) The county shall acquire property on the site, relocate business and tenants as required under state or federal law, and make site improvements necessary for the construction of a hotel such as demolition of existing structures. The county shall lease or sign a purchase contract for the development site to the developer as part of a master contract including the convention center, as referenced below.

The county shall lease or acquire city-owned property under the terms referenced above (reference Muskegon City Responsibilities) and provide such property to the developer on mutually agreeable terms consistent with the master lease or purchase contract referenced immediately above.

Def 1

- b) The county shall provide funds to build a convention center facility (to be specifically defined in terms of building and finishing) at a cost of approximately \$2 million. The county expects to provide these funds through the County Building Authority and would contract with the Building Authority for convention-related services, as permitted under the State of Michigan law and required for financing purposes.
- c) The county will provide all funds for the convention center, land acquisition and development, capitalized interest, and other related items--currently estimated to be \$3.8 million on a mutually agreed schedule to be negotiated with the developer and, perhaps, federal UDAG officials. The funds will be provided during and/or at conclusion of construction of the hotel/convention center complex.
- d) The county will lease or sign a sales agreement, at the option of the developer, for the convention center facility and/or the land under that facility for an annual payment equal to the cost of retiring the bonds needed to build the facilities and capitalized interest--currently estimated to be \$3.8 million. The lease payments would equal annual debt service, currently estimated to be \$493,000 per year (11.5 percent interest, 20 years).
- e) The county would agree to allow the developer to make interest only payments for the first two years using capitalized interest from the bond proceeds. Thereafter, the county would agree to allow the developer to defer any lease payments (or contract purchase payments) any year the hotel experienced a negative cash flow by the amount of the cash flow that was negative. The definition of negative cash flow would be agreed upon in the development contract. If the developer chose to defer payments in years where there was a negative cash flow, these payments with accrued interest would be payable in future years when there was positive cash flow or upon sale of the facility by the developer.

The developer could also choose to defer payments even if the cash flow were positive under specified conditions, Specifically, in the fourth through sixth years of operation, equity investors (i.e., limited partners) would be guaranteed a six percent cash on cash return before county payments were made. If the six percent return created a negative cash flow, the developer would have the right to defer payments. After the sixth year of operation, the developer would have the right to guarantee a nine percent cash on cash return to equity investors (i.e., limited partners) before calculating cash flow. Similar to above, if the nine percent cash return to investors resulted in a negative cash flow, the developer could defer county payments under the provisions above.

If the developer chose to defer payments, such payments could constitute a lien on the property and would be payable

upon sale or default after payment of the first mortgage but before payment of any proceeds to the developer or any investors. If payments were deferred, they would accrue interest at rates equal to one half the prime rate and published by the Continental Illinois National Bank at the date of each deferral and changed annually thereafter for each deferred payment. D. J. P.

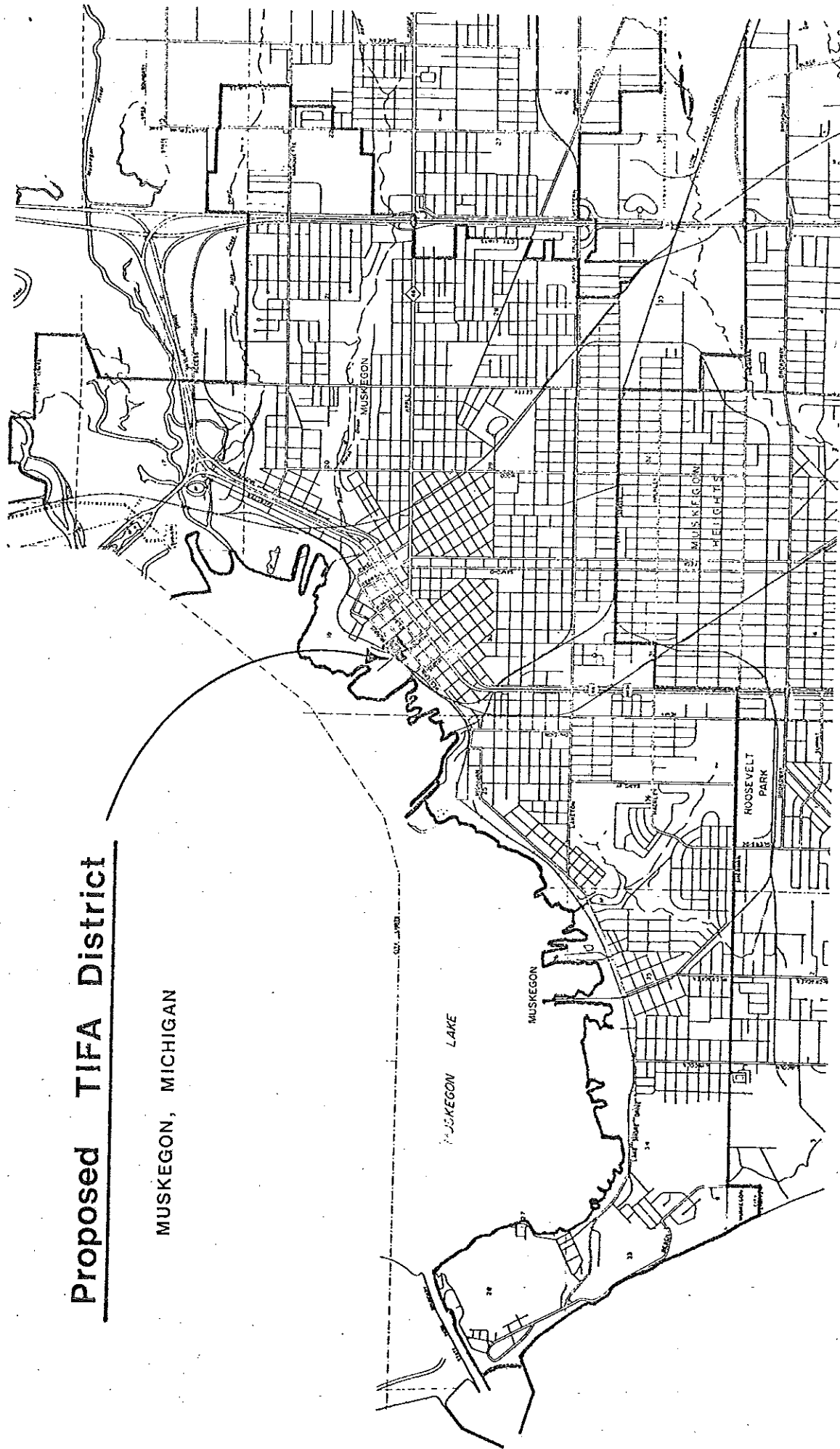
The developer can reduce the amount of deferred payments and interest at any time by making such payments to the county. However, if the cash on cash return to the investors rose above 14 percent, the developer would be obligated to make those payments which had been deferred to the extent the cash flow permitted (i.e., negative cash flow was avoided). After ten years of operation, the developer would be obligated to make deferred payments using cash flow above that required to give equity investors a nine percent cash on cash return. If the hotel were sold, all deferred sums would be paid upon consumation of the sale.

- f) Upon full amortization of the county debt, the developer would have the option to purchase the convention center for \$1, if permissible under Michigan State law or per other mutually agreed terms that were permissible.
- g) The county acknowledges that the developer reserves the right to seek room night guarantees from private businesses in the Muskegon area if so required by providers of the project debt or equity.
- h) When the hotel is sold, the county shall be fully paid to the outstanding debt on the convention center facility and land unless the purchase contract between the county and the developer specify other terms and conditions. In addition, the county will be given five percent of the net sales proceeds for their participation in the project. Net sales proceeds will be specified in the development contract but would essentially equal all funds available after payment of outstanding liens and debts.

MAPS

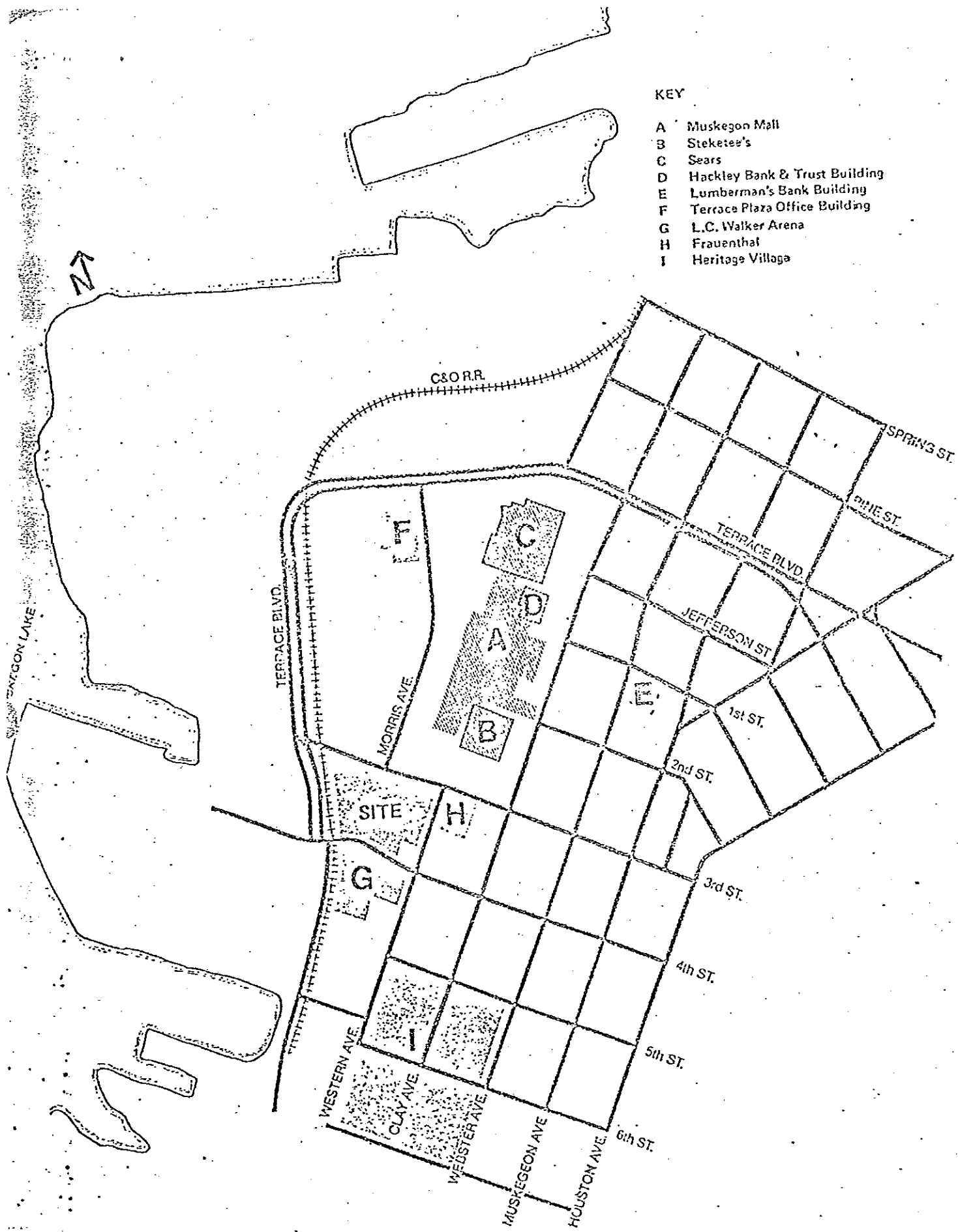
Proposed TIFA District

MUSKEGON, MICHIGAN

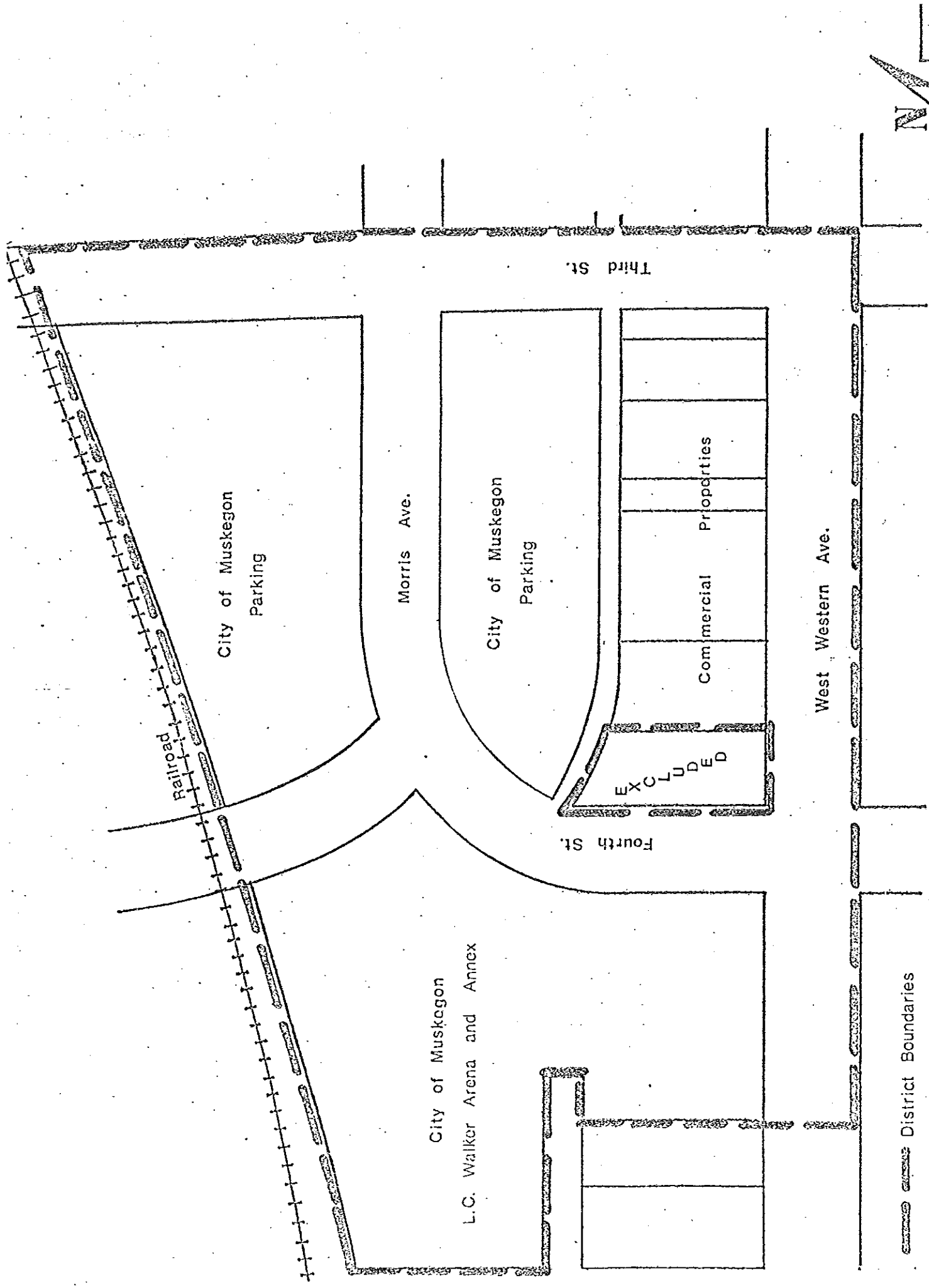


KEY

- A Muskegon Mall
- B Steketee's
- C Sears
- D Hackley Bank & Trust Building
- E Lumberman's Bank Building
- F Terrace Plaza Office Building
- G L.C. Walker Arena
- H Frauenthal
- I Heritage Villaga



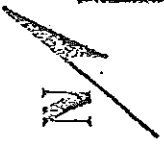
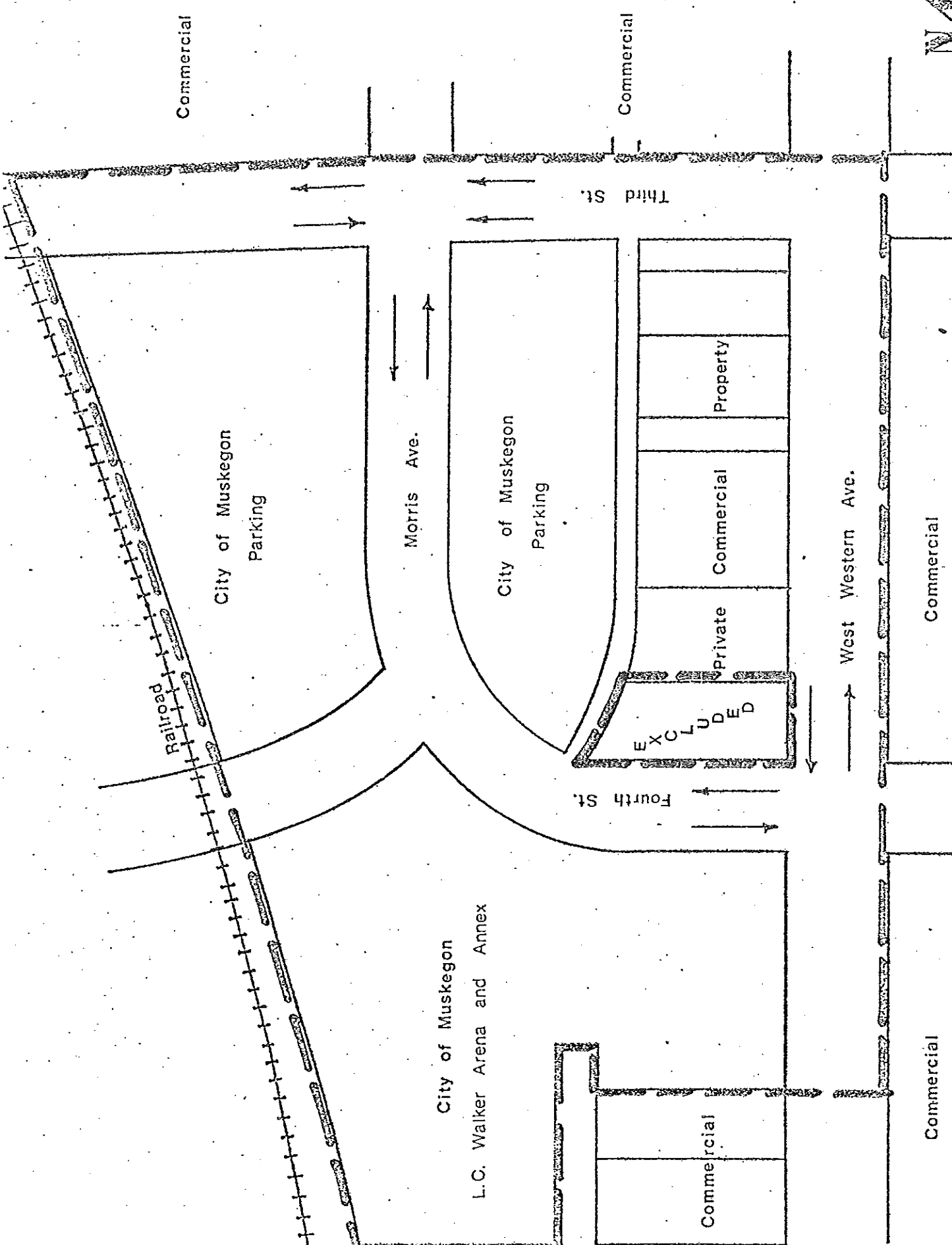
DOWNTOWN BUSINESS DISTRICT--MUSKEGON, MICHIGAN
Figure 2



Scale: 1" = 100'

Tax Increment Financing District

--- District Boundaries



Scale: 1" = 100'

Existing Land Use

- TIFA District
- Existing Traffic Patterns

Commercial

Commercial

Commercial

Commercial

City of Muskegon
L.C. Walker Arena and Annex

City of Muskegon
Parking

City of Muskegon
Parking

Commercial

Private

Commercial

Property

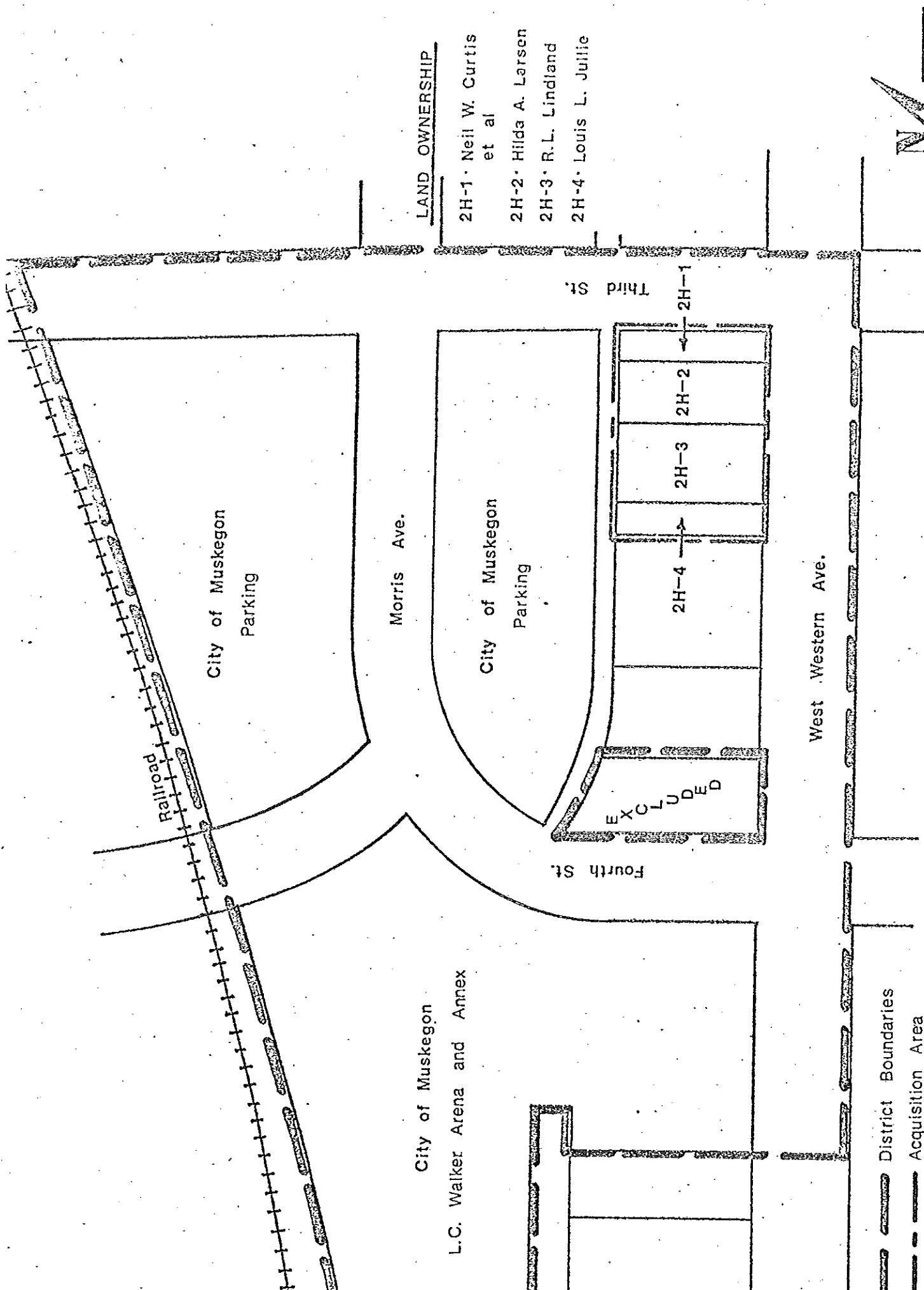
EXCLUDED

Fourth St.

Third St.

Morris Ave.

West Western Ave.



LAND OWNERSHIP

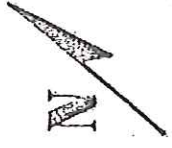
- 2H-1 • Neil W. Curtis
et al
- 2H-2 • Hilda A. Larson
- 2H-3 • R.L. Lindland
- 2H-4 • Louis L. Jullie

Scale: 1" = 100'

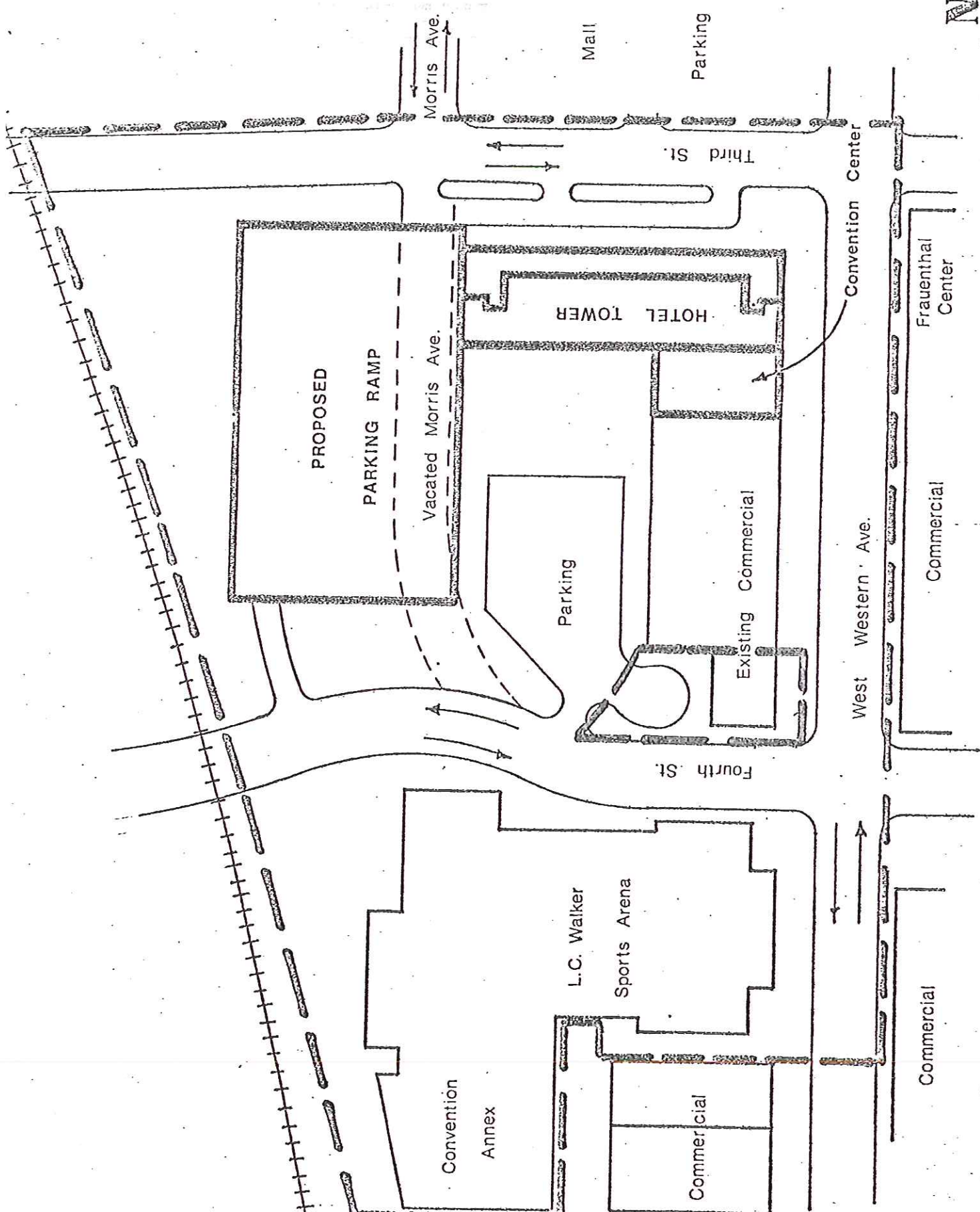
Land Acquisition - TIFA District

- District Boundaries
- - - Acquisition Area



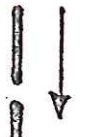


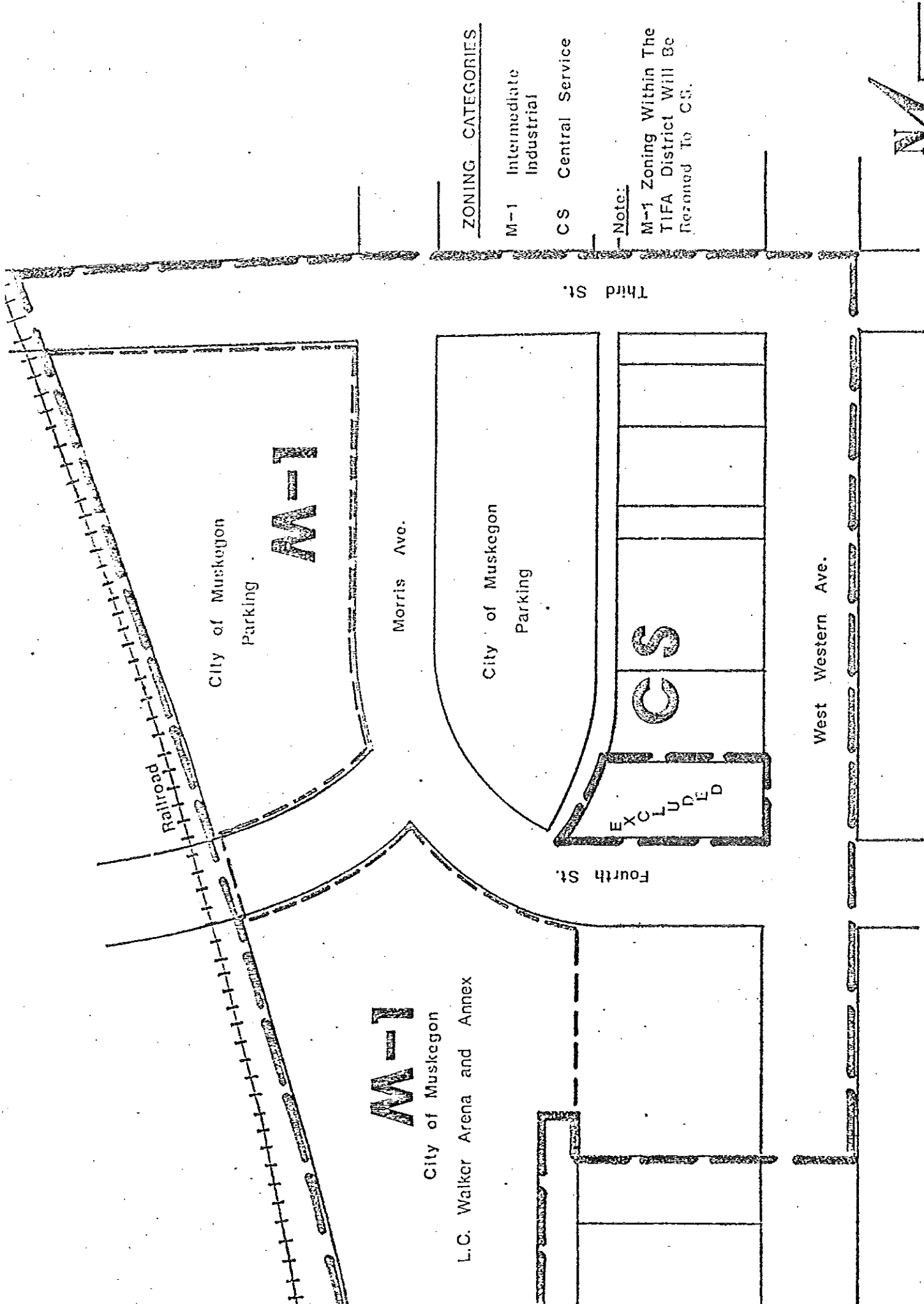
Scale: 1" = 100'



Proposed Land Use

TIFA District
 Proposed Traffic
 Patterns





ZONING CATEGORIES

- M-1 Intermediate Industrial
- CS Central Service

Note:

M-1 Zoning Within The TIFA District Will Be Reopened To CS.

Scale: 1" = 100'

Existing Zoning