Economic Development Corporation
Board of Directors Meeting
June 13, 2019 – 7:30 a.m.
Community Room – City Hall

Agenda

A. Call to Order – Chair Doug Phillips

B. Roll Call and Motion to Excuse Absent Members (Action: Motion to excuse absent members)

C. Adoption of Formal Agenda (Action: Motion to approve formal agenda)

D. Approval of Minutes for Meeting of October 19, 2017 (Action: Motion to approve the minutes for meeting of October 19, 2017.)

E. New Business

1. Consideration of a recommendation that the EDC adopt the Resolution to approve the project district area and to recommend the City Commission appoint 2 special directors to the EDC regarding the anticipated financing by Heritage Community of Kalamazoo to refinance existing 2007 EDC bonds, refinance an existing bank loan, and to finance other major improvements in that project area through the issuance of Series 2019 Bonds and Series 2020 Bonds. (ACTION: Motion to approve the Resolution to approve the project district area and to recommend the City Commission appoint 2 special directors to the EDC regarding the anticipated financing by Heritage Community of Kalamazoo to refinance existing 2007 EDC bonds, refinance an existing bank loan, and to finance other major improvements in that project area through the issuance of Series 2019 Bonds and Series 2020 Bonds.)

F. Old Business

G. Communications & Announcements

H. Citizen Comments

I. Directors’ Comments

J. Adjournment
MEMBERS PRESENT: Fritz Brown; Bobby J. Hopewell; John MacKenzie; Bob Miller; Patti Owens; Doug Phillips; Tom Schlueter

MEMBERS ABSENT: Nathan Bolton; Jim Escamilla; Kevan Hess; Nancy Troff

CITY COMMISSIONERS/CITY STAFF PRESENT: Eric Kemmer (Development Manager); Jerome Kisscorni (Assistant City Manager and Director of Economic Development); Sara Jo Shipley (Redevelopment Coordinator); Ryan Simpson (ED Coordinator); Dwayne Powell, Jr. (Neighborhood Business & Special Projects Coordinator); Joy Orr (Administrative Assistant); John Kneas (Legal Counsel to the Brownfield Redevelopment Authority)

Meeting was called to order at 7:30 a.m. by Chair Schlueter

MOTION TO EXCUSE ABSENT MEMBERS: Ms. Owens moved to excuse all absent members; supported by Mr. Brown. Motion approved by voice vote unanimously.

APPROVAL OF AGENDA: Ms. Owens moved approval of the agenda; supported by Mr. Miller. Motion approved by voice vote unanimously.

APPROVAL OF THE MINUTES OF SEPTEMBER 21, 2017: Ms. Owens moved approval of the minutes; supported by Mr. Brown. Motion approved by voice vote unanimously.

NEW BUSINESS

Economic Opportunity Fund – Staff Presentation

Mr. Simpson debriefed the board on the Economic Opportunity Fund (EOF) proposal. The presentation was presented to the City Commission on September 25, 2017 and was well received. Mr. Simpson gave a quick scope of the proposal (the full document was included in the board’s meeting packet). The proposal goes into details on how EOF funds would be used towards improving public infrastructure, enhance economic growth and development, increase and diversify housing options, and business façade improvements. Mr. Powell added how the EOF proposal would also benefit entrepreneurs through microloans and grants.

Mr. Brown asked what audience this program is designed for, in which Mr. Simpson answered it is designed for those developing and/or running a business outside of the downtown district – this area being defined in the document as targeted commercial corridors. Mr. Simpson also answered other board questions regarding how funding will work giving detail that the EOF will operate as the Corridor Improvement Authority (CIA) which is a taxing authority much like TIF, and several
funding avenues are being examined as options with the BRA board as the governing group. All other questions were answered to the board’s satisfaction, and the presentation was well received.

**Consideration of a recommendation to approve the 2018 EDC Budget and recommend to the City Commission. (Motion: to approve the 2018 EDC Budget and recommend to the City Commission.)**

Mr. Kisscorni introduced the proposed 2018 budgets for the Economic Development Corporation, Economic Initiative Fund, and Economic Opportunity Fund to the board giving details on expected revenues and projected expenditures for all accounts. All questions were answered to the board’s satisfaction.

**Ms. Owens motioned to approve the 2018 EDC Budget and recommend to the City Commission; supported by Mr. Miller. The motion passed with 7 votes in favor, 0 against, and 0 abstained.**

**OLD BUSINESS**

**COMMUNICATIONS & ANNOUNCEMENTS**

**CITIZEN COMMENTS**

**DIRECTOR’S COMMENTS**

Ms. Owens thanked the Economic Development team for their dedicated work on the Economic Opportunity Fund.

**ADJOURNMENT: 8:05 a.m.**

__________________________
Joy R. Orr, Recording Secretary

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Thomas Schlueter, Chair
To: Economic Development Corporation Board Members

From: Rebekah Kik: Director of Community Planning & Economic Development
Prepared By: John W. Kneas, Assistant City Attorney

Date: June 11, 2019

Subject: Heritage Community of Kalamazoo Bond Refinancing and Project Plan

RECOMMENDATION

It is recommended that the Economic Development Corporation adopt the Resolution to approve the project district area and to recommend the City Commission appoint 2 special directors to the EDC regarding the anticipated financing by Heritage Community of Kalamazoo (Heritage) to refinance existing 2007 EDC bonds, refinance an existing bank loan and to finance other major improvements in that project area through the issuance of Series 2019 Bonds and Series 2020 Bonds.

BACKGROUND

In 2007 EDC approved the issuance of Series 2007 Bonds for Heritage that was used to refinance Series 2004 Bonds because the then existing project plan the City Commission approved on July 6, 2004 was amended. Heritage is again requesting the approval by EDC for the issuance of Series 2019 Bonds and Series 2020 Bonds for the following purposes:

Series 2019 Bonds – maximum amount of $23,000,000
- refinance 2007 EDC Bonds
- refinance Bank Loan which was used to make renovations to Upjohn Community Care Center
- finance additional improvements to various facilities
- fund debt service reserve for 2019 Bonds
- pay costs of issuance for 2019 Bonds

Series 2020 Bonds – maximum amount of $60,000,000
- finance construction and equipping of 62 independent living apartments and site improvements
- fund debt service reserve for 2020 Bonds
- pay costs of issuance for 2020 Bonds

Besides this action to approve the project area and to recommend the appointment of 2 special directors, the following additional actions by EDC and City Commission under the statute are tentatively scheduled as follows:

June 17 – City Commission adopts resolution appointing 2 additional directors and calling public hearing for August 1 (Heritage would provide names of potential additional directors for Commission’s consideration)
July 18 – EDC adopts resolution approving project plan
August 5 – City Commission conducts public hearing
August 15 – EDC adopts bond authorizing resolution

ATTACHMENTS

Resolution
RESOLUTION OF INDUCEMENT, DETERMINATION OF PROPOSED PROJECT AREA, PROJECT DISTRICT AREA AND RETENTION OF BOND COUNSEL

The Economic Development Corporation of the City of Kalamazoo
(Heritage Community of Kalamazoo Project)

Minutes of a regular meeting of the Board of Directors of the Economic Development Corporation of the City (the “Corporation”), held on June 13, 2019, at 7:30 a.m., local time, at the Kalamazoo City Hall.

Present, Directors: _________________________________________________
Absent, Directors: ________________________________________________

The following preamble and resolution were offered by Director ___________ and supported by Director ________________.

RECATALS:

A. The Board of Directors of The Economic Development Corporation of the City of Kalamazoo (the “EDC”) received a proposal relating to the acquisition, construction, furnishing and equipping of new independent living facilities together with parking and site improvements and the renovation and equipping of certain existing facilities, all located in the City of Kalamazoo, County of Kalamazoo, State of Michigan, for use by Heritage Community of Kalamazoo, a Michigan non-profit corporation, and its subsidiaries (collectively, the “Applicant”); and

B. This proposal appears to have merit as a “Project” as defined in Act 338, Michigan Public Acts of 1974, as amended (the “Act”), and to meet the need for programs, services and facilities in the City of Kalamazoo (the “Incorporating Unit”) as described in the Act; and

C. The Applicant has further requested the EDC to assist it in the refinancing of certain outstanding indebtedness of the Applicant, including a portion of The Economic Development Corporation of the City of Kalamazoo Limited Obligation Revenue Refunding Bonds, Series 2007 (Heritage Community of Kalamazoo Project) which were issued for the benefit of the Applicant (the “Outstanding Debt”); and

D. Although a “Project Plan” as defined in the Act has not yet been completed or approved with respect to the proposed acquisition, construction, furnishing and equipping of the independent living facilities or the renovation and equipping of certain existing facilities or the
refinancing of the Outstanding Debt (together the “Project”), it is likely that the Project will require issuance of revenue bonds by the EDC; and

E. It is desirable to begin proceedings under the Act for the Project and to retain the services of bond counsel to begin preparation of documents regarding those revenue bonds in order to induce the Applicant to implement the proposal that will provide the Incorporating Unit and its citizens with necessary programs, services and facilities; and

F. EDC declares its intention to reimburse the Applicant from the bond proceeds for certain expenditures Applicant makes prior to the issuance of the bonds and the receipt of the bond proceeds; and

G. No director of the EDC has a direct interest in any of the present matters, or if a director of the EDC does have a direct interest in the present matters, that director has disclosed that interest before EDC has taken any action on Applicant’s proposal for the Project. This disclosure shall become a part of the record of the EDC’s official proceedings, and the interested director has refrained from participation in the EDC’s proceedings relating to the matter.

NOW, THEREFORE, IT IS RESOLVED THAT:

1. Under Section 8(1) of the Act, the EDC Board of Directors, upon the advice of the Applicant, proposes that the land area described in attached Exhibit A is the land area Applicant will acquire to implement the Project and designates to the Incorporating Unit’s legislative body that land area as the Project Area for the Project.

2. Under Section 12(1) of the Act, the Board of Directors recommends to the Incorporating Unit’s legislative body that the land area described in attached Exhibit B, as may be amended from time to time in minor respects, constitutes that portion of the territory surrounding the Project Area, if any, which will be significantly affected by the Project (collectively referred to as the “Project District Area”).

3. The Secretary of the EDC is shall provide a certified copy of this resolution to the Incorporating Unit’s legislative body and notify the Chief Executive Officer of the Incorporating Unit of EDC’s intent to commence a project in the Project Area and recommended Project District Area boundaries to allow the Incorporating Unit’s legislative body to appoint two additional directors to the EDC who are representative of neighborhood residents and business interests likely to be affected by the proposed Project may be appointed.

4. In order to more fully induce the location of the Project in the proposed Project
Area and subject to the below special provisions, the EDC will issue its economic development limited obligation revenue bonds, in one or more series, in an aggregate amount presently estimated not to exceed Eighty-Three Million Dollars ($83,000,000), for the purpose of paying all or part of the cost of the Project and paying the costs incidental to the issuance of the bonds. Those bonds will be issued in one or more series pursuant to the Act provided that (i) EDC Board of Directors approves a loan agreement and other documents and details pertaining to the bonds; (ii) all other necessary action is taken in conformance with the Act; and (iii) the bonds are sold.

5. The proceedings and provisions in the agreements relating to the EDC’s financial assistance of the Project and issuance of the bonds shall clearly and unambiguously state that under no circumstances will the EDC, the Incorporating Unit, the State of Michigan or any of its taxpayers or citizens, ever be required to pay the principal of and interest on, or any costs relating to the bonds from tax revenues or other funds of those governmental units, and that the EDC, the Incorporating Unit and the State of Michigan are fully protected against any other liability and all costs relating to the bonds or the Project.

6. By adoption of this resolution the EDC assumes no obligation or liability to the Applicant for any loss or damage that may result to the Applicant from the adoption of this resolution and all costs and expenses in connection with the acquisition of the Project and all costs of the issuance of the bonds and all other costs relating to the acquisition, financing, ownership or operation of the Project shall be paid from the proceeds of sale of the bonds or by the Applicant.

7. The firm of Miller, Canfield, Paddock and Stone, P.L.C. (“Miller Canfield”) of Detroit and Kalamazoo, Michigan, is designated and retained by the EDC as bond counsel regarding the revenue bonds contemplated for the Project. Miller Canfield is authorized and directed to: (i) prepare and submit to all appropriate parties all necessary proceedings, agreements and other documents as appropriate for the issuance of those revenue bonds; and (ii) make application on behalf of the EDC to the United States Internal Revenue Service and other governmental agencies for any income tax and other rulings and approvals as may be necessary regarding those bonds. The Secretary of EDC is authorized to execute any powers of attorney and other documents as appropriate for Miller Canfield to fulfill the above authorizations. The legal fees of Miller Canfield for work done regarding the Project shall be paid from the bond sale
proceeds or by the Applicant; and in any event shall be at no cost to the EDC.

8. The EDC makes the following declarations to comply with the reimbursement rules of Treas. Reg. § 1.150-2 issued pursuant to the Internal Revenue Code of 1986, as amended:

(a) As of this date, the EDC reasonably expects and intends to reimburse the Applicant for the expenditures described in (b) below with proceeds of debt EDC will incur.

(b) The expenditures described in this paragraph (b) are for the costs of acquiring the Project which were paid or will be paid after sixty (60) days from this date.

(c) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is $83,000,000.

(d) A reimbursement allocation of the expenditures described in (b) above with the proceeds of the borrowing described in this resolution will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid (the “Reimbursement Period Rules”). A reimbursement allocation is an allocation in writing that evidences the EDC’s use of the proceeds of the debt to be issued for the Project to reimburse the Applicant for a capital expenditure made pursuant to this Resolution.

(e) The expenditures described in (b) above are “capital expenditures” as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).

(f) No proceeds of the borrowing paid to the Applicant in reimbursement pursuant to this Resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds,
including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in (d) above.

(g) Expenditures for the Project to be reimbursed from the proceeds of the borrowing constituting (i) costs for the issuance of the debt, (ii) an amount in excess of the lesser of $100,000 or 5 percent of the proceeds of the borrowing, and/or (iii) preliminary expenditures not exceeding twenty (20) percent of the issue price of the borrowing, within the meaning of Treas. Reg. § 1.150-2(f) (such preliminary expenditures include architectural, engineering, surveying, soil testing and similar costs incurred prior to construction of the Project, but do not include land acquisition, site preparation, and similar costs incident to commencement of construction), are not subject to the limitations with respect to time of payment of (b) above or the Reimbursement Period Rules in (d) above.

9. All resolutions and parts of any other resolution insofar as they conflict with the provisions of this resolution are rescinded.

AYES: Directors __________________________________________________________

NAYS: Directors __________________________________________________________

RESOLUTION DECLARED ADOPTED.

_____________________________________
Secretary
I certify that the foregoing is a true and complete copy of a resolution adopted by the Board of Directors of The Economic Development Corporation of the City of Kalamazoo, State of Michigan, at a regular meeting held on June 13, 2019, and that the meeting was conducted and public notice of the meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of this meeting were kept and will be or have been made available as required by the Act.

I further certify that the following Directors were present at the meeting:

______________________________________________________________________________

and that the following Directors were absent ________________________________

I further certify that Director ____________________ moved adoption of this resolution and that Director __________ supported the motion.

I further certify that the following Directors voted for adoption of this resolution

______________________________________________________________________________

and that the following Directors voted against adoption of this resolution

______________________________________________________________________________

____________________________________
Secretary
EXHIBIT A

Project Area

Situated in the City of Kalamazoo, Kalamazoo County, Michigan:

Parcel 1:
A parcel of land situated in the Northeast quarter of Section 27, Town 2 South, Range 11 West, being more particularly described as follows:

Commencing at the East quarter corner of Section 27, Town 2 South, Range 11 West, thence North 89°55'00" West 46.98 feet along the East and West quarter line of said Section to the West line of Portage Street and the place-of-beginning; thence North 14°58'12" West 307.60 feet along said West line to the South line of Phillips Street; thence North 89°55'00" West 392.00 feet along said South line; thence South 00°07'44" West 80.00 feet; thence South 89°52'16" East 5.00 feet; thence South 00°07'44" West 217.00 feet to said East and West quarter line; thence South 89°55'00" East 467.11 feet along said quarter line to the place of beginning.

Parcel 2:
Lots 35, 36 and 37 of Deboes Phillips' Addition to the City of Kalamazoo, according to the plat thereof, as recorded in Liber 3 of Plats on Page 19, Kalamazoo County Records.

Parcel 3:
A parcel of land situated in the Northeast Quarter of Section 27, Town 2 South, Range 11 West, being more particularly described as follows:

Commencing at the East quarter corner of Section 27, Town 2 South, Range 11 West, thence North 89°55'00" West 46.98 feet along the East and West quarter line of said Section to the West line of Portage Street; thence North 14°58'12" West 307.60 feet along said West line to the South line of Phillips Street; thence North 89°55'00" West 392.00 feet along said South line to the place of beginning; thence South 00°07'44" West 80.00 feet; thence South 89°52'16" East 5.00 feet; thence South 00°07'44" West 217.00 feet to said East and West quarter line; thence North 89°55'00" West 229.13 feet along said quarter line to the West line of the "Donald C. Osborn's Subdivision of Lots 40 to 43 of Deboes Phillips' Addition", according to the plat thereof as recorded in Liber 8 of Plats on Page 14, Kalamazoo County Records; thence North 00°03'00" East 297.60 feet along said West line to the said South line; thence South 89°55'00" East 224.54 feet to the place of beginning.

Parcel 4:
A parcel of land situated in the Southeast Quarter of Section 27, and the Southwest ¼ of Section 26, Town 2 South, Range 11 West; being more particularly described as follows:

Commencing at the East quarter corner of Section 27, Town 2 South, Range 11 West; thence North 89°55' West 46.98 feet along the East and West quarter line of said Section to the West line of Portage Road and the place-of-beginning; thence continuing North 89°55' West 539.34 feet along said quarter line to the Southwest corner of Lot 8 of Donald C. Osborn's Subdivision, according to the Plat thereof as recorded in Liber 8 of Plats on Page 14, Kalamazoo County Records; thence South 8°05' West 323.14 feet perpendicular with said East and West quarter line to the North line of the Plat of Homecrest No. 1, according to the plat thereof as recorded in Liber 12 of Plats on Page 19, Kalamazoo County Records; thence South 89°55' East 46.02 feet along said North line to the Northwest corner of Outlet "B" of said Homecrest No. 1; thence Southerly 2.00 feet along the West line of said Outlet to its Southwest corner of the North line of Homecrest Avenue; thence South 89°55' East 120.56 feet along said North line; thence Easterly 30.0 feet along said North line along the arc of a 21.0796 degree curve to the right to the Southeast corner of said Outlet; thence Northerly 6.68 feet along the East line of said Outlet to its Northeast corner; thence South 89°55' East 420.91 feet along said North line of Homecrest No. 1 to the West line of Portage Street; thence North 10°39'16" West 337.38 feet along said West line to the place of beginning.
Parcel 5:
Lot 5, Except the Westerly 33 feet of the Northerly 102 feet thereof. Also, Lots 6, 7, 8, 9 and 12, Browson's Addition to the City of Kalamazoo, according to the Plat thereof as recorded in Liber 1 of Plats on Page 11, Kalamazoo County Records.

Also, Commencing at the Southwest Corner of Lot 1, Kalamazoo Institute Addition, according to the Plat thereof as recorded in Liber K of Deeds on Page 295, Kalamazoo County Records, and running thence North along the West line of said Lot 157.41 feet to the Northwest corner of Lot 10, Browson's Addition, according to the Plat thereof as recorded in Liber 1 of Plats on page 11, Kalamazoo County Records; thence South 89°51'20" East along the North line of said Lot 112.51 feet for the place of beginning of this description; thence continuing South 89°51'20" East along the North line of Lot 10 and 11 of said Plat 32.25 feet to a line lying 12.36 feet Easterly of the West line of said Lot 11; thence South 00°00'07" West parallel with said West line, 35.06 feet; thence North 89°51'20" West 32.25 feet; thence North 00°00'07" East 35.06 feet to beginning.

Also, Commencing at the Southwest corner of Lot 1, Kalamazoo Institute Addition, according to the Plat thereof as recorded in Liber K of Deeds on Page 295, Kalamazoo County Records, and running thence North along the West line of said Lot 1, 157.41 feet to the Northwest corner of Lot 10, Browson's Addition, according to the Plat thereof as recorded in Liber 1 of Plats on Page 11, Kalamazoo County Records; thence South 89°51'20" East along the North line of said Lot 10 and Lot 11 in said Plat 191.90 feet to a point lying 74.91 feet Westerly of the East line of said Lot 11 and the place of beginning of this description; thence continuing South 89°51'20" East along said line 74.91 feet to the Northeast corner of said Lot; thence South 00°00'07" West along said line, 35.06 feet; thence North 89°51'20" West 74.91 feet; thence North 00°00'07" East 35.06 feet to beginning.

A parcel of land situated in the Northeast quarter and the Southeast quarter of Section 27, Town 2 South, Range 11 West, City of Kalamazoo, Kalamazoo County, Michigan being more particularly described as follows: Commencing at the East quarter corner of Section 27, Town 2 South, Range 11 West; thence North 89 degrees 55 minutes 00 seconds West 809.72 feet along the East and West quarter line of said Section 27 to the Southwest corner of Lot 39, "DELOS PHILLIPS' ADDITION" according to the Plat thereof as recorded in Liber 3 of Plats on Page 19, Kalamazoo County Records and the Place of Beginning; thence South 00 degrees 03 minutes 00 seconds West 51.35 feet along the Southerly extension of the West line of said Lot 39; thence South 14 degrees 53 minutes 23 seconds West 280.99 feet to the North line of "HOMECREST NO. 2" subdivision, according to the Plat thereof as recorded in Liber 24 of Plats on Page 01, Kalamazoo County Records; thence North 89 degrees 55 minutes 00 seconds West 829.95 feet along said North line of "HOMECREST NO. 2" subdivision; thence North 03 degrees 30 minutes 55 seconds West 205.51 feet; thence North 35 degrees 37 minutes 00 seconds West 145.19 feet to said East and West quarter line; thence South 89 degrees 55 minutes 00 seconds East 669.35 feet along said East and West quarter line to the Southwest corner of Lot 34 of said "DELOS PHILLIPS' ADDITION"; thence North 00 degrees 03 minutes 00 seconds East 297.00 feet along the West line of said Lot 34 to the Northwest corner of said Lot 34; thence South 89 degrees 55 minutes 00 seconds East 66.00 feet along the North line of said Lot 34 to the Northeast corner of said Lot 34; thence South 00 degrees 03 minutes 00 seconds West 297.00 feet along the East line of said Lot 34 to the Southeast corner of said Lot 34; thence South 89 degrees 55 minutes 00 seconds East 264.00 feet along said East and West quarter line to the Place of Beginning.
EXHIBIT B

PROJECT DISTRICT AREA

Project District Area is as described on Exhibit A attached hereto.