CITY OF BURTON
LEGISLATIVE COMMITTEE MEETING MINUTES
JANUARY 14, 2002, 6:00 P.M., COUNCIL CHAMBERS

MEETING CALLED TO ORDER BY CHAIRPERSON CHARLES CROSS AT 6:00 P.M.

MEMBERS PRESENT: Cross, Bement, Wells

MEMBERS ABSENT: None

OTHERS PRESENT: J. Major, DPW Director, D. Lowthian, Assessor, J. Adams, Clerk's Office

PURPOSE OF THE MEETING: DISCUSSION AND POSSIBLE RECOMMENDATIONS CONCERNING THE FOLLOWING ITEMS:

1. BURTON COMMONS PILOT ORDINANCE
2. BLACKBERRY CREEK APARTMENTS PILOT ORDINANCE

PRESENTATION:

Burton Commons Pilot Ordinance

The Assessor, Mr. Lowthian, said Stanley Foster, President of Madco Inc., has requested a payment in lieu of property tax ordinance, that we refer to as a Pilot Ordinance. Mr. Lowthian gave a brief explanation of how the Pilot Ordinance works. He indicated the City to date, has approved three Pilot Ordinances that have been for senior developments. Burton Place was first in 1978, and he believes it is a 40 year MSHDA mortgage. The Pilot Ordinance if approved will be in place for the length of the MSHDA mortgage, which is generally 30 or 40 years.

Mr. Lowthian said last year we approved a Pilot Ordinance for Meadowview Gardens, another senior development on Center Rd. which is currently under construction. Also, last year a pilot was approved for CK Gardens, which to his understanding at this time will probably not be constructed. Mr. Lowthian said Mr. Foster will give a presentation.

Mr. Foster thanked the City for the opportunity to make a presentation and indicated he is requesting a 15 year pilot. He will construct somewhere between 198 and 204 units, from an acreage point of view, it could hold 250 units. Through MSHDA, 104 units will be financed and that is where the pilot comes in.

Mr. Foster said the balance of the units will be built and immediately sold through our owner occupants, who will pay the full tax bill. The development itself will be 2 to 3 bedroom townhomes with attached garages. Two bedroom units are approximately 1,312 sq. ft., and three bedroom units are 1,460 sq. ft. They all have at least two baths. It will be brick and vinyl exterior, landscaped, and a clubhouse with a pool inside.

AUDIENCE PARTICIPATION:

Fred Edmonds, 4038 Woodrow, Burton, MI, inquired regarding the location of the development.

Mr. Foster said the main egress will be on Covert Road. North of Davison, and Leith St. to the north.

Mr. Edmonds asked if the homes along there will be removed.

Mr. Foster said there is one vacant lot that is a part of this site which will be a major egress into the development.

Mr. Edmonds asked if this development received approval to build.

Mr. Major referred Mr. Edmonds to the map located on the wall behind him. He addressed the site and stated the zoning of multi-family is correct, and it has been in place since the late township days. Mr. Major said it has not been put through site plan review yet.

Mr. Edmonds asked if there is another chance for residents to comment on this development.

Mr. Major replied, if they do not need a variance from the Zoning Board of Appeals. The Planning Commission's comments will relate to the site plan itself relative to types of paving, landscaping, and façade of the building. What Mr. Foster proposed, and to my understanding when we met before, he is asking for what would be classified as a Class A multi-family development of townhouses. I cannot envision a condition or a requirement the Planning Commission would put on him in addition to what basically he has prepared tonight, a very brief session of being vinyl siding, brick fronts, and first class landscaping. Those types of amenities are basically what the Planning Commission would like to see. If his proposal tonight were in paper form, with a drawing and those types of things on there, I do not see a basis for the Planning Commission to say no, because the zoning is correct.

Mr. Edmonds said he was told it would be two story trailers/modulars.

Mr. Foster said if he were to build today it would be stick built. At some point in time, he did investigate stacked modular homes.

Mr. Major stated Burton Place was modular units built in a factory and assembled on site.

Mr. Edmonds asked if this development would affect his property taxes.

Mr. Lowthian replied no. He said the Pilot Ordinance itself only applies to the 104 units being proposed that would be exempt from property taxes, where they would pay a service fee which would be a percentage of the rents collected. In the case of your property, the taxable value can only go up by the rate of inflation annually.

Mr. Edmonds inquired further regarding the number of entrances to the development, and if there is to be some kind of barrier put up.

Mr. Foster replied there will be a second road but it has not been determined yet. The development will be heavily landscaped.

Duane Burnash, 2239 Covert, Burton, MI, said his yard is where the trees are, and where they are planning to put the road. He inquired regarding the buffer and amount of feet needed for a road.

Mr. Major said it has not been through site plan review so some of these things are still to be determined. He asked Mr. Foster if he is still proposing a private street.

Mr. Foster indicated that he is.

Mr. Major said normally on a public road you are looking at 16 to 66 ft. of access through there, a minimum of 24 ft. wide pavement. He re-iterated site plan review still needs to be done, and to his understanding there will be curbs and gutters, and it will be a Class-A development. A minimum for a two lane highway is 11 ft. lanes with open ditch.

Mr. Burnash said he understands it is a 50 ft. easement that goes beside his property. Once you pave a road in there, gutters, ditches, and whatever else necessary, that is not much room left for any kind of landscaping buffer.

Mr. Major said you have 50 ft., if we put 24 in there, that gives you 26 left, 13 on both sides. That leaves room for an underground storm system and landscaping. Mr. Major stressed that it is a lot and not an easement, and is owned as part of the property in the back, which is the larger piece.

Mr. Burnash asked if he is correct that it is 50 ft. wide.

Mr. Major said he cannot answer that since the site plan has not been presented yet.

Mr. Burnash asked if he will receive notification, as this development is going in on two sides of his property.

Mr. Major indicated he would not, if variances are not requested to some type of specification in the Zoning Ordinance, because of its present zoning today.

Mr. Cross asked if he would be notified if it went to Planning.

Mr. Major replied no, because it is not a special use. It is a use by right and there is no notification for site plan review if they do not need any type of special use, which they do not. Until the site plan is approved by the Planning Commission, I cannot tell you if there is a variance to be considered. According to Mr. Foster, he does not need any variances.

Mr. Foster said he expects to meet with any and all of the neighbors to discuss the plan. He said they can feel free to call him with any questions.

Mr. Burnash asked if the City is prepared to handle the traffic on Covert Rd. that will be generated by the 198 units.

Mr. Major responded that the two lane roadway in its present configuration is not at traffic peak. We can give you traffic counts to show the numbers that would be generated by this development would not over-tax Covert Road from the standpoint of what it is designed to handle for a two-way road. It is a major street and is meant to handle major street traffic.

Mr. Burnash stated his yard will become a corner lot now.

Malinda Burnash, 2239 Covert Rd., Burton, MI, stated when we bought our home in 1983, we remodeled the house and found tin-type pictures along with letters dated back to 1880. That is the Carrie Covert house. We contacted a reporter and there has been two stories written about the house as it presently stands. This is our neighborhood, and not that I mind more people coming into the neighborhood, but at the end of Covert and Richfield, there are units going in there. When do we run out of building, pavement and houses, till we get to the point we don't have a tree left. Mrs. Burnash addressed further concerns regarding school buses and bus stops.

Mr. Major said he would guess the buses would not go into that complex, the kids would probably come out. The road would be built to standards to support the bus traffic because it will have to support the garbage trucks going in there to pick up the trash containers.

Mrs. Burnash said there are wetlands back there, and after they start doing the developing, will my property be a swamp because of the developing they have done further back beyond my property.

Mr. Cross said he hopes they retain their own water on their property.

Mr. Major said the Planning Commission will look at the site plan. The engineering firm he hires will have to design the project to retain the water of which the site generates itself. Most site plans show retention areas to withhold water because that is part of the Drain Commissioner's plan. We have to retain the water even more so than we did in the past, on site and then meter it out to the existing storm systems available. I am sure Mr. Foster has to clear the site through the DEQ, that is part of the requirements of the City and the State. There may be wetlands that have to be mitigated. That is a call the engineering firm will have to evaluate once they get into the site plan preparation and clear with the State of Michigan to make sure we are not destroying any wetlands.

Mrs. Burnash asked what land is left that has not been zoned multiple dwelling, because I feel like we are running out of land and the City of Burton wants to develop the whole city. Where does the beautification come into play with regard to our City of Burton. She asked if For-Mar is the only thing we have left to go and walk in the woods. It becomes almost ridiculous all because we need to develop and build.

Pauline Dargel, 6119 Hugh St., Burton, MI, referred to the map and addressed the site area. She said she had the opportunity to look at the back-up material for this meeting. She would like to know when the market study was done. It would tell us if there is a need for that type of housing, and usually, there is some form of traffic study. She thought the entrance and egress would have been more of a boulevard entry and not two lanes. She has found Covert Rd. to be relatively busy.

Mrs. Dargel said she would like to know the need for that type of housing because she noted in the back-up material, with 104 units there is definitely a step down as to the amount of rent. That would indicate to me that this is one of those determinations by someone, and in the past that was the Flint Housing Authority whether someone qualified for that step down in rent.

Mr. Cross asked Mr. Foster for clarification regarding the rents.

Mr. Foster said he is constraint rent-wise. My market study told me we are right at the market rents and the study was done over the last six months. The rent calculations I am using are pretty close to market rents.

Mrs. Dargel said she noted on the back-up materials that the rent was $316.00.

Mr. Cross indicated he sees the two and three bedroom unit figures of $626.00 and $723.00.

Mrs. Dargel said we are talking about dollars when you are speaking of a Pilot Ordinance, which the City will not derive taxable income/revenue. I am not sure at what point Burton Place is in its 40 year contract, but I don't believe at the time it was put in it was a Pilot Ordinance, although it is in lieu of taxes. Mrs. Dargel stated further, the City had an earlier one that came before the Legislative Committee and it received a rezoning. Where the Charter school is today, there had been a proposal for multi-family, and in that case it did not happen. In speaking with MSHDA, the electric power lines that were overhead made a great deal of difference. She asked if this has had some impact on this housing

Mr. Foster said the power lines are certainly an issue, the units will be closer to Covert Rd. MSHDA was very comfortable with the location of the units at the site.

Mrs. Dargel inquired regarding the construction of the townhouses.

Mr. Foster said his construction manager's firm is located in Grand Rapids. He assures me they can build them stick on site for a price less than Patriot. My sole purpose is to build the largest most attractive unit that I possibly can, so if I can spend more money making it beautiful, as opposed to paying Patriot or anyone else.

Mrs. Dargel said speaking as a taxpayer, you are asking to have the 15 years of that revenue not derived by the City, and I think there really needs to be a case made for the need as far as market, for the occupants of 104 dwellings.

Mr. Edmonds inquired further regarding notification.

Mr. Major re-iterated that there is not a legislative requirement, and Mr. Foster said he is willing to meet with residents and show them the site plan.

Mr. Edmonds asked if it would be a two or three story building, and is there going to be a basement.

Mr. Foster responded it will be a two story and there may be a basement.

Mr. Edmonds asked if what the City is giving them is the same as a tax abatement.

Mr. Lowthian replied that it is a tax abatement, their property would be exempt. They have to meet certain criteria under the law in order to receive the tax abatement. Mr. Foster is requesting a 15 year pilot ordinance.

Mr. Major said part of this tax abatement goes to the amenities. He asked Mr. Foster to elaborate on the amenities.

Mr. Foster said what you could basically say I could get away with is probably a townhouse that is strictly rental. My intention is to put as much brick, I think it is one factor then vinyl on the unit.   There will be a clubhouse on site with a computer lab and swimming pool. There will also be a.tot-lot area, and areas for residents to exercise.

Mr. Cross asked for clarification as to residents.

Mr. Foster stated he is talking about residents of the development, some will be owners and some will be renters. I have the ability from MSHDA to build 104 units, I have to make those units rentable for a period of time, for 15 years. At the end of the 15 year period they can stay rentals, but my intention is to make them owner occupied units. I will be doing everything I can to educate the current residents on things like credit management so when they get to the point the units can be sold, they are at the position credit wise, economic and savings wise, to afford those units.

Mr. Major asked if he has some kind of incentive program to work with the rental units.

Mr. Foster said that in addition to the normal educational programs, any tenant that lives there for a year, would receive a non-cash rebate of 1%. If a person lived there for 15 years, they would be buying that unit for market price and automatically add 15% equity in that unit. So in affect you are buying a $100,000 unit for $80,000 out-of-pocket.

Mr. Edmonds asked if there is a certain percentage of units that are low rent for retirees, or for people that cannot afford full rent.

Mr. Foster said these are two story units, so I don't think it would lend themselves to the 55 and over group.

Mr. Edmonds asked if this would be one of the requirements because our taxes are paying for his abatement and shouldn't it come into play that at some point we get something out of it. His tax abatement is going to improve the property, so it is worth more to him.

Mr. Foster said he is looking to be able to service 6 ½ million dollars worth of debt. If the current operating expenses are higher because the taxes are not somewhat abated, I wouldn't be able to service 6 ½ million, it may be 5 million, which means I am going to build 140 units with only about 8 million dollars in profit versus 10 million.

Mr. Edmonds said he thought under law when we did things like this, the community had to get something back. One of the things he thought we got was lower rent for lower income for retirees, because at the end of 15 years, if a person stays there and rents that long, there is going to be 15% equity on it. Is that going to be on the price today or on the price 15 years from now.

Mr. Foster said that is going to be on the price 15 years from now. I cannot sell those units for less than the market price. I don't think the residents that live in the homes around it, would want me selling units for less than the market price because I would be devaluing their properties.

Mr. Cross asked Mr. Lowthian to explain the Pilot Ordinance.

Mr. Lowthian said the 104 units would pay no property taxes on those units. He would pay the service fee, an annual service fee. It is calculated by taking the total rent that is collected, subtract the cost of the utilities and then it is a percentage of that. The Pilot Ordinance for the senior development we did last year was 5%, that was the amount of the service fee.   If the service fee annually is $30,000 a year, then the City would receive about 15% of that. The remainder of that service fee would go to the County, Intermediate School District, Mott Community

College, and all the taxing jurisdictions that levied millage would get a percentage of that, according to the percentage of the millage levied by them.

Mr. Edmonds said that would nowhere near compare to my property taxes or to the taxes of anybody else that lives in that immediate area. In reality, it is adding to our tax base, we are paying more taxes to pay for that, and I don't think it is proper or legal. I am going to check it out with some of our congressman and find out, or through you or somebody.

Mr. Major said this was created by the State of Michigan, our elected officials are the ones that made this affordable housing program available to the cities and townships in the state of Michigan.

Mr. Edmonds asked if the 104 units are separate dwellings.

Mr. Foster indicated they are separate dwellings, and they will be attached.

Mr. Major said this will end up being a condominium project at some point in time and a two story townhouse program. There is a certain amount of money in this project due to this pilot program that funnels into a maintenance fund. When Burton Place's mortgage / Pilot runs out, you can see Burton Place looking as good or better than it was the day the Pilot was initiated. If you take into account the trees have grown up and they provide the proper maintenance, you have a project that is as viable today as it was yesterday except for the price of inflation. You have a built-in guarantee that the maintenance is going to be done on the project to show that the unit 15 years from now, when the pilot runs out, will be in a Class A shape.

Mr. Foster said because he will be selling those units at their market price versus the mortgage balance. The expectation is that I will probably spend $15,000 in every unit putting in new carpeting, updating cabinets, and those kinds of things. Even though the unit has been there 15 years, only on the interior it will look like a brand new unit because it will be pretty much re-furbished.

Mr. Edmonds asked who is responsible for maintaining the development.

Mr. Cross stated Mr. Foster is.

Mr. Major said it is under the supervision of MSHDA.

Mr. Edmonds inquired regarding maintaining the private roads.

Mr. Cross said the City does not.

Mr. Major said this is going to be a Condominium Association right from the very beginning with the units he is selling.

Mr. Foster indicated snow removal is done by the Association.

Bernard Meader, 4220 Risedorph, Burton, MI, inquired regarding the notification of tonight's meeting.

Mr. Cross said the notice was not from the City. The meeting was posted at City Hall.

Mr. Major said Mr. Meader's flyer that he received was put out by someone else.

Mr. Meader said if we get a lot of people in there that are unruly, people that are unemployed, we are going to have more crime in our neighborhood. We have from 20 to 35 breaking and enterings per month, between Center and Genesee, and Davison to Richfield Rd. Our neighborhood is full and people are selling and moving out. Mr. Meader spoke of further concerns regarding more policemen on the force, and having to build more schools.

Laurie Tinnin, 2340 Harmony Dr., Burton, MI, asked Mr. Foster if the pilot is not accepted by the Council would he still proceed with the entire development.

Mr. Foster said yes, but the units would be smaller.

Mrs. Tinnin asked what he has to do to qualify for MSHDA funding.

Mr. Foster responded the market study that showed the development was necessary, the environmental work, application fee and the application.

Mrs. Tinnin inquired regarding the application being on file, owner of the property, wetlands surveyed, consumers right-of-way, on-site management and security.

Mr. Foster replied he is the owner of the property, there will be on-site management, but there is no security.

Mrs. Tinnin said she is also concerned with the school system, because if the development on Richfield Road proceeds that will also add to the school system. This proposed 204 unit development will probably generate another 500 kids. As far as the benefit for you, there is a great deal of savings to you, but not a great deal of savings to us, the residents who have money invested in our homes and property. Personally, I think this area should have remained single family. I don't know when it was rezoned to RM, but it is totally ridiculous because it is surrounded by residential single family, and I would hate to see it disturbed. Mrs. Tinnin stated further, she does not feel Covert Rd. allows enough room for an ingress and an egress from Risedorph. The buffer will pose a problem because they are not very wide. I don't see the benefits for the residents.

Dougal Brow, 4224 Leith, Burton, MI, asked if the sewers are going to be improved in the area. His basement is flooded three times from the back-up from sanitary and it is getting to be quite expensive. He asked if they are going to enlarge it, because it quite obvious they cannot handle it now.

Mr. Major said Mr. Wright, the County Drain Commissioner, has the design just about complete for the northeast relief interceptor, which will add an increased capacity within the City of Burton. A program is under way concerning the manhole covers. The system does have capacity within it except the illegal connections. The Drain Commissioner is working on it from an enforcement standpoint and from a construction standpoint to give us more capacity to take care of present development, and future development. I think he has it designed for the next 20 years for capacity and anticipating new growth.

Mr. Brow asked if they will tie into Covert Rd.

Mr. Major indicated he thinks since the interceptor runs down Covert Rd. that would be the connection point. Kraft Engineering is still developing those plans, we will ask them that the connection should be into the interceptor, and I am sure that is what they are going to do.

Mr. Brow asked how much school tax that will generate.

Mr. Lowthian said the school is a little bit of a different issue. Most of the operating money that they get now is from foundation grants, they receive so much per student. There would be no property taxes on those 104 units. The school district will get a percentage of the service fee, which will be a fairly small number.

Mr. Brow said he sees on Genesee Rd. a trailer park going in, a development at the end of Covert, and now we are talking about this project. Kearsley has been fortunate, the people have always passed a millage. I think one time maybe we didn't. If we keep putting these projects in, at what point to the residents say no more. I am concerned about safety of my property, we have a lot of crime. I hope this doesn't generate it, but I don't know why it wouldn't. If you get 1,000 people, 2% are going to be bad.

Mr. Foster said he would like to think there would be more neighborhood watch people.

Mrs. Dargel said before the Legislative Committee makes a recommendation, she hopes they will have a copy of the market study referenced to know there is a need for this affordable housing, and to know some idea of the abatements, as far as revenue goes. Mrs. Dargel asked if within the 15 year period are the 104 units all together in one location.

Mr. Foster responded that they are.

Mr. Edmonds inquired regarding the monthly rent.

Mr. Foster said $626.00 is for the 2 bedroom, $726.00 for the 3 bedroom, and $109,000 for the town units.

Mr. Edmonds asked if these amounts are considered low cost housing. He said usually when we build in Burton, we do it because it is an advantage to the community. What advantage is this to the area we live in. I haven't been shown anything tonight and haven't heard anyone speak for this development. Everything I have heard, it has taken away.

Mr. Cross said this is an informational meeting, a fact-finding mission. He will also call another meeting.

Mr. Foster said he heard a house around the corner that was re-furbished recently, has an asking price of $89,900.

Mr. Edmonds said anymore $100,000 is low cost housing, and we do not need more low cost housing in that area. If you look at that area, you are going to see it is deteriorating. As it deteriorates you think about crime, and when you put 104 units, how many people is that. If you put them in low cost housing, you know what you are going to get. Mr. Edmonds stated further, I don't want to pay all those taxes, I can't afford what I have now.

Mr. Meader said we have about 850 residential homes and that does not take us all the way out to Richfield Road. It takes us to the Genesee Township line, south between Center and Genesee, and north from Davison to the Genesee Township line. There are 850 homes that do pay taxes, and here we have to give them a tax break to build something like that in this area. Mr. Ragnone wanted to buy the parcel east of Genesee Bank on the south side of Davison Rd. and put in approximately 165 mobile homes. The law says he has to have so many people with children as well as senior citizens. Kearsley School said the taxes that would come out of that whole part if they were allowed to be put it in, would not pay for one teacher's wages for a year, and we would have to build three rooms onto our schools to accept those children in the different grades. If this happens, we need help in building our schools larger and taxing care of those taxes.

Larry Brawner, 2440 Briar Creek, Burton, MI, asked Mr. Foster that with or without the pilot ordinance, he owns that land and he will build no matter what.

Mr. Foster said yes, he will build something on it.

Mr. Brawner said our question we are going to have to answer is, we have a pilot ordinance where we give him tax abatements so he can build a nice place with all the amenities. Or, we don't pass the pilot ordinance and you build something maybe sub-standard to what we want to have.

Mr. Major said he will still have to comply with the Zoning Ordinance and the minimum standards necessary.

Mrs. Tinnin inquired if Mr. Foster will supply sidewalks, curbs and lighting, whether the pilot passes or not.

Mr. Foster said whatever he has to supply to make my tenants safe. The more debt I can service with the revenue coming in, the more I can spend on the development. This means instead of having 1,100 sq. ft. units, I can have 1,300 sq. ft. units, instead of not having a pool, a tot lot, I've got those kinds of things. I would prefer having that and I think the town would prefer that. Reality is, at the end of the day, I will meet whatever zoning and building requirements that are necessary. If the building requirements say a two bedroom unit has to be 900 sq. ft, it may be 950 as opposed to 1,300 sq. ft. I think the community benefits more if it is a 1,300 sq. ft. unit.

Mrs. Tinnin inquired regarding other locations he has built these units.

Mr. Foster stated we did a project in Middletown Ohio, the LaMain Apartments, at the corner of LaFayette and Main. They were built 4 years ago.

Someone from the audience asked Mr. Foster if he would provide pictures.

Mr. Foster said he does not have a problem taking pictures of what the development looks like today.

Mr. Edmonds said if he develops that private land, it will be built to our specifications as our City requires, and we are going to have a tax base. Where at least we will gain taxes, money to keep it up, money to put the kids to school and keep the roads up. The way we are doing it, none of that is for sure. He is not going to be paying any taxes, there is no comparison to paying property taxes.

Mr. Foster asked Mr. Lowthian for clarification that the operating budgets of schools are funded.

Mr. Lowthian said the operating dollars the school receives are based on a foundation grant on a per student basis, which is somewhere around $6,000 to $6,500 per student. I think the argument they are making is that if the school had to build a new building or put an addition on a building, then this would not contribute anything toward that debt requirement. The citizens in that area would have to levy a millage in order to retire that debt on the addition or new building.

Mr. Major said for that 104 units.

Mr. Lowthian said that is correct.

Mr. Major said the other units we keep forgetting about will pay full taxes.

Mr. Lowthian said the only issue before Council is the 104 units.

Mr. Foster said the full development will be paying a lot more taxes then the site structure.

Mrs. Burnash inquired regarding the acreage.

Mr. Foster said there is 27 acres and if he understands from Dick Kraft, the engineer, it supports 250 units.

Mrs. Burnash asked who makes the final decision on this, and site plan review.

Mr. Cross replied it is City Council who makes the final decision. The Planning Commission does the site plan review.

Mrs. Tinnin asked if there are other communities that have approved a pilot ordinance such as this one for family development.

Mr. Lowthian indicated Mt. Morris Township has.

Mr. Major said he thinks MML (Michigan Municipal League) probably has information on pilot ordinances of other cities. It is quite common through the Detroit area.

Mr. Foster said he can give the name of the attorney he is using and he would provide information as well.

Mr. Lowthian indicated this information is also available from MSHDA.

Mr. Burnash said if they find the ground is very unstable, does DPW set the requirements as far as what he has to do for the ground work. Mr. Foster said he is not sure if he is going to put in a basement, and probably a lot depends on a perk test. We all now how dry it was this summer and the grounds back there were still wet. I generally cannot mow my back yard till the end of June because when you walk back there it is swampy.

Mr. Major said he believes Mr. Foster wants to try and put basement storage in at least some of the units. He hopes that either through a firm of his own or Kraft Engineers, somebody will make some determinations by talking to the Drain Commission.

Mr. Foster said borings will be done before the foundation is done.

Mr. Burnash asked if results will be given directly to the DPW.

Mr. Major said it will go directly to our building official or it could be addressed at the Planning Commission, but it is a requirement of our building department.

Mr. Burnash inquired as to Mr. Foster getting the abatement, then finds the project needs more money than what they originally thought, such as with ground work or something else.

Mr. Cross said what he is saying is what would happen if he gets in there and decides to use the money for ground work or something else versus we give him the Pilot to do a more aesthetic looking building.

Mr. Lowthian said there would have to be some sort of side agreement that would cover that.

Mr. Major said we are going to get into deliberations after this meeting. I think Mr. Foster is aware, that he may see some type of contracts with us, or agreements, as it relates to the type of construction we are talking about in relation to the pilot. His comments are on minutes, we have discussed a lot of upgrades of the site which we expect to be taken care, and I think it is going to relate to some type of form we are all going to agree on what is going in there, above and beyond what has to do with the dollar value of the pilot.

Dougal Brow stated his home is on Leith Street said his back yard too is wet till the end of June. My sump pump runs the year round, it never stops, so there is a lot of water in that area. I moved out there on Covert in 1948, and as a young man I hunted out in there, and there is a swamp back by the Consumer Power tower.

Mr. Meader said he use to hunt in that area back in 1946 and 1947, and you could go out there any time in the summer and have to put knee boots on, that is how bad the water was. Also, there are areas of quick sand.

Mrs. Dargel said the Committee makes a recommendation to the Council to determine if this project will receive a pilot ordinance for family units. Based on that decision, then the site plan review follows because it could be smaller units if we go ahead without a pilot approval.

Mr. Foster said that is why we are doing this first.

Mr. Major said it could be the opposite way because we have another pilot following in this meeting, where they have gone to the Planning Commission and have everything taken care of with permits, and is complete now. If for some reason they would not get their pilot, and they decided to re-configure the project, they would have to be back before the Planning Commission to discuss something different then what went through, because they were anticipating the pilot. So it could go both ways.

COMMITTEE DISCUSSION:

Mr. Wells inquired regarding the percentage of the service cost.

Mr. Lowthian said that would be Council's decision. Meadowview Gardens was 5%, Burton Place works out to around 4%. Mr. Foster is proposing a request for 4%.

Mr. Wells asked what it is based on.

Mr. Foster said it is based on my attorney's decision and what he saw throughout the State, and what I could make my operating budget work with when I put 4% and I came out with a total operating cost that actually supported 6 ½ million dollars worth of debt.

Mr. Bement asked if it is 4% of 100% occupancy.

Mr. Foster replied 4% of the 104 units, the other 100 units will pay the full share of taxes.

Mr. Wells asked Mr. Foster if he is going to have a person on-site keeping the books.

Mr. Foster said there would be an on-site management company that will provide me with statements. The rents are published and the only way we would deviate from the rents, is if I run some specials such as $100.00 off. Mr. Foster asked if the entity providing the pilot inspects the books.

Mr. Lowthian said we reserve the right to do so.

Mr. Foster said the books will be kept on site, MSHDA requires it and my tax credit investors require it.

Mr. Wells said Mr. Foster owns the property and is going to develop it, providing it is not full of quick sand. He asked Mr. Foster if he would have a problem if we decided to offer the pilot to him, per his request, and put together a contract to meet our requirements.

Mr. Foster said if I offered things I said I would like for the development, I would certainly have no problem signing off on those things. If the town would like to see some things I haven't mentioned, we can certainly discuss those things.

Mr. Wells stated he likes to work with the developers. I think we need to work with the developers and the surrounding neighborhoods, that is an important aspect to me of any kind of development in the City.

Mr. Foster said that is why I would certainly be willing, even though when I get through the planning process there won't be a need for a variance, to siting down and saying this is what I am doing. Through the construction process, all those people that surround the development are the ones that will pick up the phone and call the police and say there is vandals over there.   If I have not made those people happy, they are not going to do that.

Mr. Bement inquired regarding the difference between the monies if he does not get approval for the project.

Mr. Lowthian said he did a rough calculation and used a market value of $94,000 for the average town home there. Because these would be rental units, they would pay a non-homestead rate as opposed to a homestead rate. The annual property taxes would be about $2,335.00 and that would be total property taxes, County, City, School and all the millages combined. That would be a total of about $243,000 in total property taxes, and the City would get approximately 16% of that, or around $39,000 on the total of the 104 units. Mr. Foster gave us a projection of $313.00 per unit, the pilot fee. Multiplying that by 104 units, about $32,500 the annual pilot, assuming 100% occupancy. We would get about 15% of that, around $4,900.00.

Mr. Foster said just to put in perspective, my total operating budget per unit is about $4,000.00, the tax is $2,300.00, which would shrink the amount of debt that I would service tremendously.

Mr. Cross thanked Mr. Foster for his presentation and said he will be hearing from them when they have scheduled the next meeting. Mr. Cross called for a 10 minute recess.

The meeting resumed at 8:08 p.m.

PRESENTATION:

Blackberry Creek Apartments Pilot Ordinance

Sam Arabbo said he is president of S & S Builders, Inc., and is here to speak on behalf of their development. The presentation is in two parts, he will present who they are and what the development is all about. Our attorney Michael Perlman will speak on the pilot and what it covers.

Mr. Arabbo said my company and family have been in business for over 20 years, we are a Michigan corporation and are not too far from here, the next County over. I was raised in Michigan and have good roots in the community, and we have built in several different communities. We are excited to be part of Burton and bring what amounts to be about a 20 million dollar development. It will consist of 228 Class A apartments, two and three bedrooms. We cater to the family structure. Mr. Arabbo stated further, they initially acquired 21 acres, since then they added 4 more acres to include the front for curb appeal. We are enhancing the project by having fountains and flower beds in the front area of the clubhouse as you enter the boulevard. The development will have first floor brick, they are two stories and each unit will have its own individual entry. We are expanding to an upscale development to include a volleyball court, swimming pool, and add a tremendous amount of landscaping. Structuring the rent will be affordable, therefore, it becomes the need to speak why we need the pilot. Mr. Arabbo said Mr. Perlman will continue the presentation.

Attorney Michael Perlman, 4000 Town Center, Southfield, MI, addressed the Pilot Ordinance. He said it is part of the Michigan State Housing Development Authority Act, Section 125.1400 of the Act. It is to encourage the building of affordable housing and communities. There is a provision that speaks to providing for tax exemption for a projection and in lieu thereof, making a payment in lieu of taxes.

Mr. Perlman said he has been involved in 25 or 30 projects throughout the State over the last 30 years that have pilot. The purpose of the pilot is to make rents more affordable for the constituency, to the extent, the constituency you are trying to serve does not make enough money to pay an extra to $150.00 to $300.00 a month, depending on what community you are in.

Mr. Perlman said they are asking the City of Burton to consider the pilot for the following reasons. This project will be conventionally financed through FHA insurance, so that you can get a little longer amortization to keep the cost of the units for your debt service down. In addition, to build a product like we are proposing, we basically have an issue of rents. The rents if we do not achieve pilot will probably be $150.00 to $200.00 more. In the Burton market, that puts most of these units out of the reach of the population we are seeking to serve. We are seeking to serve younger people with families who are not in the position to purchase a home, they don't have the money for a down payment. This gives them an opportunity in a 2 bedroom apartment with approximately 1,000 sq. ft., which is similar to a number of the housing units in town, to up to 1,300 sq. ft. to 1,400 sq. ft. three bedroom. With the benefit of pilot, you can basically permit this project to be built in this community, and try to upgrade the quality of housing in the City of Burton.

Mr. Perlman said their management company Village Green, currently manages 26,000 units in about 3 to 4 states. They have been in the Detroit metropolitan area for more than 50 years. We can deliver a product you can be proud of and at the same time affordable for the residents of Burton. If we were in Troy where people could afford to pay higher rent for the same product, we wouldn't be asking for it. In order to make this project feasible, since taxes are significant a project this size, we don't believe we could market this product here using full SEV taxes. Mr. Perlman stated further, we went to MSHDA six months ago and showed our market study and information on rental units in the community and the need for this type of project. We have submitted a letter from MSHDA that they would support a pilot for this project, and I believe the Assessor has a copy of that.

Mr. Perlman stated, we had initially submitted to you a proposal, a payment in lieu of taxes of 4%, 95% of the gross revenue collected of the project. You responded that you would like to see the payment higher, so we adjusted the management fee from 5% to a 3.5% management fee, creating an increase to 5% of the gross revenue. We would like to put before you 5% of gross revenue less utilities that are for the project.

Mr. Perlman said they anticipated potential gross revenue for this project at about 2.4 million dollars, assuming some vacancies, I am sure it will not be 100% all the time. Assuming a standard of 5% will lower it down to 2.2 million, less some utilities, but if you take it by 5% it would generate $110,000 in taxes, called the pilot. We would ask you to consider 5% payment in lieu of taxes for this project.

Mr. Arabbo said in return for the pilot we have implemented with our management agency a lease equity program. Part of the tenant's rent will be set aside to be invested into whatever they choose when they leave to buy a house in Burton. A percentage will be applied for their down payment, closing cost fees or whatever they choose it to be. Therefore, within that program we are encouraging our residents and future residents of Burton, to move to home from rental, to become a private house owner within the city. Because of the way this is structured, we cannot discriminate if they move outside the City, but we can set the percentage to be much lower if they choose to go beyond the City, where if they stay within Burton it will be more attractive. So the percentages could be 10% or down to 2% if they choose to exercise it. The pilot is given up a certain percentage of shares of revenue to the City. We as a participator into this program, are locked in to make certain percentage as a developer, and we are to give back into the community from a different aspect by encouraging the single family ownership.

Mr. Arabbo stated further, that as a developer, we are acquiring some parcels within the city and have a couple of meetings with owners of large parcels. Hopefully, things will work out with the project in front of you, and for future plans of developing single and townhouse development. Mr. Arabbo said it is our belief with team effort we can bring this 20 million dollar development along Center Rd. to be the showcase and create a domino affect of other development to come into the City. The percentage of revenues made right now of this vacant property that has been vacant for 20 to 30 years, is very minimum compared to the revenues that has been made as a pilot. Also, an investment by the City and us to create this domino affect to bring in other development, we will be more than happy to continue to be the future of creating, developing and building in Burton.

Mr. Cross asked Mr. Arabbo how many units he is asking for the pilot.

Mr. Arabbo replied 228 units, the two bedroom is in the $700 range, the three bedroom in the mid to high $800.

Mr. Bement inquired if any of the monies for rent will be subsidized.

Mr. Arabbo responded no, this is all conventional. We would be applying the higher standards of qualifying from income level as well as the resident's background. This pilot and the method of financing, we are not restricting the residents to have to make a percentage of the median income, this is conventional. They have to qualify as they would under a normal program. We are not MSHDA financing, they are only monitoring the pilot and approval rate. Mr. Arabbo said if our plans are approved, we are committing ourselves and resources to this development. By approval of the pilot we will be ready to continue committing our financing within 2 to 3 weeks of adopting the resolution and therefore, anticipate a starting date of March 1st for construction.

AUDIENCE PARTICIPATION:

Mrs. Dargel inquired regarding additional acres acquired and C-2 zoning in the front of Center Road. She said she hopes the Legislative Committee has a better grasp than she does as to why they would be doing the pilot. What benefit is it not only to the City, but I am not hearing about families that are going to benefit differently from the pilot ordinances that you considered before, which up until tonight have been for senior housing. Mrs. Dargel asked what the advantage to the City is to provide a pilot provision revenue wise, with a conventional mortgage.

Mr. Lowthian responded there probably is no advantage to the City from the standpoint of revenue. I will have Mr. Perlman or Mr. Arabbo tell us what the benefit would be to the City as far as providing a pilot ordinance.

Mr. Perlman said young families are benefited by the pilot, who cannot otherwise afford a home. They will be able to afford an apartment that is newer and larger than most of the existing apartments. The analysis of this project which was made not only by the developer, but by the Michigan State Housing Development Authority. The reason there has not been any new apartments built in Burton is because the cost of building the apartments cannot be justified because the rents that pay for the costs of the apartments is not high enough. When you build apartments and they cost $75,000 a unit, and you add all the other costs to them, they end up costing close to $90,000 a unit. When you figure what the debt service cost is on that plus the operating cost, a 2 bedroom apartment will probably run $1,000.00. It is proposed that the rent is going to be just below $800.00, and that is a big difference if you are a renter. If you do have the $1,000.00, you are probably going to try and buy a house and not rent. Mr. Perlman stated further, we look at the demographics, which shows the median income. We showed that material to MSHDA. MSHDA to date, has probably developed and financed 4.5 billion dollars of affordable housing in the last 30 years. They said we agree with you, Burton does have a problem. They support our decision of a pilot to build this project and so people can afford to actually rent a place in the project and not have it out of reach.

Mr. Perlman said the other question was the feasibility of the project. It is contingent upon the pilot because the market study basically said there is not enough people in this community to rent a 2 bedroom unit at $200.00 more a month or a 3 bedroom unit at a little more than that, per month.

Mr. Major said we did have a proposal once, it was with minimum standards and no amenities. That original proposal was much different with very small units and you did not have the proposal Mr. Arabbo refers to. There is the difference there in what you are looking at for Center Rd. I am sure you could bring an apartment complex in, but it is not to his standards and to what we would like to think the City of Burton standards would be along Center Road. It is probably our showcase as we come off the expressway or go in or out of Grand Blanc, that we have apartments there with a boulevard entrance, amenities you see, with retention ponds and fountains. Without the pilot, we cannot do this.

Mr. Major stated further, we have not touched on the type of development that would occur because of the apartment complex. When you have a Class A apartment complex, it would be similar to what an Auker development would be if he was building townhouses today versus the apartment complexes. You may have seen Fountain Pointe or one of those places in Grand Blanc. We don’t have that here in the City and I personally feel this would be a catalyst for spin-off development in our vacant areas of Center Road, which wouldn’t have a pilot. If you bring that number of families in the area, your shopping, restaurants or whatever services they would need along the Center Road area, we should look at that too. No one has mentioned in either complex tonight census numbers. You see what it did for us this year.

COMMITTEE DISCUSSION:

Mr. Cross asked if the 228 units will be sold off down the road, or stay as apartment complex.

Mr. Perlman said the financing to make it work is a 40 year term. For 40 years it will be an apartment complex. Depending on the condition of it, it can be converted to condominiums, or continue as a rental.

Mr. Cross asked if he will also build owner occupied as another phase of the project.

Mr. Perlman said Mr. Arabbo has indicated that some adjacent property they are looking at for phase two will be approximately 40 to 50 owner occupied attached condominiums.

Mr. Wells inquired as to the length of the pilot.

Mr. Perlman said the pilot is as long as the mortgage is in place with FHA insurance, the pilot is the same length. If the project is sold after 20 years, and it no longer has FHA insurance, the pilot is automatically terminated. There were a number of developments in the suburbs of Detroit built in the early 1970’s. Those developers over the last three years sold their projects, and all had FHA insurance. Most of the purchasers of the projects kept them with FHA insurance to keep it affordable and reasonable. Some converted to condominiums, they were 30 years old and a lot of money were put into rehabilitate them. That is something that could happen 20 to 30 years down the road. Because of the amortization on a 40 year loan, after 20 years you have only amortized 1/3 of the mortgage.

Mr. Wells inquired regarding the percentage they are looking for.

Mr. Perlman replied 5% payment on the entire project.

Mr. Wells asked Mr. Lowthian if he did figures on that.

Mr. Lowthian inquired with Mr. Perlman his projected service fee of $110,000.

Mr. Perlman said as the rents collected increased each year, then the payment in lieu of taxes, the pilot, goes up 5% of whatever the increase in revenue is. If revenue goes up $50,000 each year, you are going to get 5% of $50,000.

Mr. Lowthian stated if the service fee as an example, once it is leased up is $110,000, the City would actually keep about 15 ½% of that, about $17,000 with the remainder of it being dispersed to the other taxing jurisdictions according to the millage they levied. The second part of your question of property taxes, similar to what was talked about in the previous development, 20 million dollar development would generate about $470,000 a year in property taxes, that is total taxes. The City portion of it would be about $74,000.

Mr. Bement inquired as to the years the property has been vacant and how much in taxes is on it now.

Mr. Lowthian said he would have to check.

Mr. Perlman said the overall taxes on that parcel run somewhere of $5,000 to $6,000 range for summer and winter taxes, and if you take 15% of that it does not amount to a lot of money. The project is a catalyst to have further development which puts more property on the rolls at a higher rate and that is what you are looking to do. It is the same thing the City of Detroit did when they built the Renaissance Center downtown in 1976. They built a project like that, and it was the commencement of the turnaround for the City to get more projects built, more revenue generated to support the City.

Mr. Cross asked if they do not get the pilot, will you continue with it.

Mr. Perlman said he does not think the lender will finance this deal without the pilot. The lender will be making a mortgage in the neighborhood of 16 million to 17 million dollars, they have a lot at risk, besides Mr. Arabbo’s equity he is putting in the project. If the lender does not think it is feasible they will not make the 16 to 17 million dollars.

Mr. Wells said we have to ask ourselves, if over the next 40 years if we can expect those people to spend in excess of 2 ¼ million dollars in our community to offset the taxes. What you are saying is, it is a mute point and you won’t build it anyway.

Mr. Perlman said not unless the income levels in the City improve, we are trying to help that. We are putting in a major project which there is nothing like it in this community. There are projects like it in surrounding communities, but no one saw fit to come into Burton to development this kind of project. We know it is a risk and it is a huge risk if we don’t have pilot. Mr. Perlman indicated they are using Midland Mortgage, originally out of Detroit and now based in Florida. They are one of the original multi-family mortgage companies from the 1960’s to 1970’s, the first major mortgage companies that did FHA multi-family financing.

Mr. Wells said he knows very little of the Pilot Ordinance, and I know what you are trying to do, and I can’t say that I don’t like what you are trying to do. I just don’t want to sell out the soul of the community with Pilot Ordinances. That if we start doing that, do we open ourselves up to litigation to the first one we say no to.

Mr. Major said he does not think so, they stand on their own. There are some questions to be answered as it relates to this.

Mr. Bement said there is a need for affordable type of rental units in the City of Burton. If this is a Class A one and that property has been sitting for 26 years with nothing happening, and if you look at those high tension wires and I am sure they have looked at that, I think there is a need for that type of development there. I think it looks like a pretty good project. Mr. Bement inquired regarding their taking care of the roads and sewer.

Mr. Perlman said the roads are private roads, some cities and townships want the sewer and water dedicated and they can maintain it.

Mr. Major said we want the main lines dedicated to the City.

Mr. Perlman said one of the requirements of the financing is we have to set aside $250.00 for each unit, each year as a reserve for replacement. We are putting this amount of money away each year to replace the refrigerators, stoves, carpeting, and fix the roofs. It is a requirement of FHA so that money is available. It is a program they have been doing for 30 years and it has worked really well. Until a few years ago, it was $200.00 a unit and because of the cost of construction it is now $250.00 a unit we have to put away every month. It is held by the mortgagee, the lender. We can only get it if we make a requisition for it and it is approved by HUD. I want you to be aware of it because it is always a concern of anybody looking at a project that will take 40 years to pay for itself, is it still going to be in good condition in 40 years.

Mr. Cross said in other words you are going to go in there periodically and paint them, update the cupboards, carpeting, etc.

Mr. Perlman said the reserve for replacement goes to certain items. The painting and decorating when people move out, and sometimes the carpeting, is done out of your operating budget. Unlike most rentals, these will have washers and dryers. This is a project the City can be proud of, and hopefully a catalyst to draw both commercial and residential along Center Road.

Mr. Major inquired regarding code enforcement in dealing with cars and unruly residents.

Mr. Perlman said attached to the lease are rules and regulations and they are enforced. There are no abandoned cars, if someone has a boat and things like that, they will have to put them in self storage and cannot leave them on the premises. I believe there are two parking spaces per unit in this complex, more then 50% will be carports. In terms of code enforcement, if someone does damage to the unit, it is grounds for eviction.

Mr. Perlman spoke regarding management. He said because of the size of the project, we will have a fairly significant on-site staff. It has a project manager there full time, assistant project manager and a maintenance staff of 4 to 5 people full time. The clubhouse will have a fitness area, computers for residents to use, and possibly a daycare there. The company they are using to manage this is nationally known, Village Green. They were originally part of the Holson – Silverman Group, builders in Detroit for the last 8 years. There was a split off between the development side and the management side. As I indicated, the management side manages 26,000 units. In the Detroit area alone, they manage 18,000 units. Nationally, they are ranked probably with the top 5% of management companies with their size and quality of the job they do.

Mr. Major asked if they have statistics on police calls, domestic disputes.

Mr. Perlman said he does not have that, but can provide that information. We can ask Village Green to give us information based on similar economic communities. They also work with the local commercial operators, stores and businesses, they create relationships with them, create a sense of community, and they have activities going on all the time. This is not something that just runs by itself, they have input in dealing with the community and knowing what is going on. Mr. Perlman said they also offer the clubhouse to those that need a place for a meeting.

Mr. Perlman spoke briefly regarding security. He said it is proposed that it will be a gated community. During certain hours the gate will be down, people will have to come in with their cards to lift the gate. Village Green has found in managing their projects a gated community from a security point of view sells very well for the renters.

Mr. Bement said with 228 units, how many school age children is projected from that, there is usually a formula and it would be good information to have.

Mr. Perlman said it totally depends on the community, and it would be very difficult to say.

Mr. Major said he did speak with Ralph LaDuke about this in the Atherton School District, and his answer was to bring on the kids, they have the room and need the revenue.

Mr. Arabbo said there as raised the issue of high power lines. That is one of the grounds MSHDA declined financing the site. Therefore, when we were out looking for the best mechanism for this development and what it can offer in result of that, an FHA 40 year loan was the only suitable product. There is a negative issue related to the site, and high power lines was one of them in terms of financing. The issue of the pilot being 40 years, we don't have a crystal ball. Because we are offering ourselves as part of the community, we will at one point every 10 or 15 years visit the financing market to see if there is any suitable method in turning this to an ownership. That is our ultimate goal, it could happen in 15 or 20 years, people buying into the unit. As long as this is our goal to turn this into the ownership, it will happen at some point in time. Although we are asking for the pilot for the 40 years, that is a requirement for the lender, not a requirement that we put forth.

In conclusion, Mr. Arabbo stated further, we want to develop this, Burton deserves this Class A development down Center Rd., and it will happen with your vision and help. He also wants to point out they have weekly meetings with management where a member of our development visits the site and tours the facility on a weekly basis. They point out certain things to be done whether it is a maintenance issue, groundskeeping or curb appeal. It is important because it is a reflection on us. Mr. Arabbo said they also have an open door policy. As I have mentioned with the Mayor's office, any issues that come up that is not to their liking, we are within a phone call. It has always been our way of doing things. Mr. Arabbo thanked everyone for their time tonight.

Mr. Cross said he will re-schedule another meeting as soon as possible, and will give everyone a chance to review the information presented.

Meeting adjourned at 9:04 p.m.

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