

**MINUTES
ST. CLAIR SHORES CITY COUNCIL STUDY SESSION
APRIL 25, 2011**

City Council Study Session, held in the Council Chambers, located at 27600 Jefferson Circle Dr., St. Clair Shores, Michigan.

Present: Mayor Hison, Council Members Frederick (arrived at 7:11 p.m.), Rubello, Rubino, and Rusie

Absent & Excused: Council Members McFadyen and Walby

Also Present: City Manager Hughes, City Clerk Kotowski and City Attorney Ihrie

1. CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Mayor Hison called the meeting to order at 7:00 p.m. Ms. Kotowski, City Clerk, called the roll with a quorum present and noted that Ms. McFadyen and Mr. Walby asked to be excused from this meeting. The Pledge of Allegiance was recited by those in attendance.

Motion by Rubino, seconded by Rubello to excuse Ms. McFadyen and Mr. Walby from tonight's meeting.

Ayes: All – 4

Absent: Frederick, McFadyen, Walby

2. AUDIENCE PARTICIPATION ON AGENDA ITEMS (2 MINUTE TIME LIMIT)

Joe Backus, St. Clair Shores resident, spoke on agenda item #3. He said the City needs to challenge the issues on money. The City cannot survive on declining numbers. He feels that there are more big businesses in surrounding cities than there are here and the City should be welcoming big businesses. He suggested the City explore the idea of having a casino and hotel developed in the City.

Henry Castro, St. Clair Shores resident, spoke on agenda item #3. He asked what the cost is for converting the beach to a wetland in phase one of the project. He thinks that changing the beach to wetlands will block the access to the lake. He asked about why the funds would be used to build a tennis court, racquetball court and a basketball court when the beach can be used for volleyball if it is not changed to a wetland. He asked why the focus of phase one of the project is solely on the Blossom Heath Park. He asked Council to review this proposal and consider the residents' desires first.

Chris Vitale, St. Clair Shores resident, spoke on agenda item #3. He asked Council to reject this proposal. He said development authorities are not created to invent new ways to capture City money. He thinks that every extra dollar the City captures should be used to fight blight in the City and typically, blight would not be found along the lakefront properties. He asked Council to consider how this would affect the surrounding businesses.

Chuck Hall, St. Clair Shores resident, spoke on agenda item #3. He said that the many years that TIFA (Tax Increment Finance Authority) has been around, they've been able to construct a great area on the Nautical Mile. He expressed his concerns that a sign is not on the expressway informing people driving passed the area about the Nautical Mile. He said Blossom Heath Park has needed renovations for many years and he is glad to see this project come about.

Mr. Frederick arrived at 7:11 p.m.

The Pledge of Allegiance was recited by those in attendance.

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) ON THE NAUTICAL MILE WATERFRONT DEVELOPMENT REPORT

Mr. Widgren, Tax Increment Finance Authority Chairman, stated that about ten years ago TIFA did the area on Jefferson from 9 Mile to 10 Mile. In 2012, they will make the final debt service payment on that project. He said TIFA would like to make sure they are here to maintain this district. As they come to the end of their final payment, the question arises if Council will let TIFA expire or take the remaining funds to continue the district and their proposed next phase projects.

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) (Cont'd)

Mr. Widgren explained the financing plan and said that the numbers are broken down into two categories; where we are today and where we will be in 2012 when this debt service requirement expires. There will be more than \$2 million in the treasury at the end of this year. There are two owners: the City of St. Clair Shores at 70% and other taxing jurisdiction, which comprised of 30% of incremental taxes we collect for Macomb County.

At fiscal year ended June 30, 2013, the TIFA fund balance at beginning would be \$874,579, the annual TIFA net increment would be \$280,000 and the TIFA funding would be \$775,000.

Mr. Widgren explained the investment plan and the three phases as follows: Phase one, convert Blossom Heath beach to wetlands, the marina owners would make personal investments expanding transient wells access, TIFA provides matching funds for infrastructure, TIFA builds pool, activities building and paddle tennis court at City waterfront park, and TIFA re-landscapes and beautifies Blossom Heath Park; Phase two (as funds are available), pool building expanded to include indoor racquet ball court and half court basketball; Phase three, roadways to marinas, hotel and retail shops.

Mayor Hison asked what happens to TIFA and to the money if TIFA expires.

Mr. Widgren said that the City would have \$874,000 starting in 2013 and would be eligible to collect \$575,000 for that year. If TIFA comes to the end, the money goes back to the City and it is up to Council to decide what to do with the City's portion of the money, but he is not sure what happens to the County's portion of the money.

Mr. Widgren explained that TIFA money is used to develop and improve areas of the City that would otherwise be underdeveloped. There is over \$1 million of County money that we would be able to use over the years. The waterfront district was started years ago. He said TIFA has only had three major projects, and this could be the fourth that would strengthen the area significantly. He mentioned that TIFA met with property owners in the area and designed the concept. Marinas have added facilities and amenities to enhance their properties. The goal is to make St. Clair Shores a destination area. He thinks with the increased gas prices, boaters are more likely to travel less distances and look for places with amenities closer to home.

Mr. Widgren described some of the improvements that would be made, such as, installing a single racquetball court, a common area with tables, improving docks and building a facility with showers. The concept is that transient boaters would get passes to access the park while they stay in a marina well. By the end of 2013, TIFA could refund the money, but instead are proposing these improvements.

Ms. Beebe said that a good plan that would surge economic development has been in the works with the residents and businesses for over two years. This is a long-range plan that was developed as a way to look at the area over a period of time to encourage economic development. She said in the past, plans were too grand and didn't happen. She said the good thing about this plan is that it has several alternatives and it provides for the improvement of the existing marina properties to be more of a destination. The long-range plan provides for restaurant development and "Village On The Lake". It is important to have the grand plan and phase three, which is the final phase, and is approximately eight to ten years away. This area is underdeveloped and can accommodate the improvement. This is about improving and maintaining existing areas. The financing and debt service is financed from money that could go back to the County if not used.

Ms. Beebe said these improvements would be for residents and transient boaters at the marinas. The marinas in the area are at 60% to 65% occupancy and providing boat wells for transient boaters to have "a destination weekend" would bring in more business to the marina and to the surrounding businesses. It is proven that transient boaters patronize the surrounding businesses, such as restaurants, shops and stores.

Mr. Rubello asked what level of cooperation TIFA has with the marinas and surrounding businesses right now. He is concerned with the difficulty to access these properties because they are all deep and set back from the road. He feels that it would be too difficult for people to move from marina to marina, which could impair the grand plan.

Ms. Beebe stated that as part of the budget, TIFA has provided assistance with marketing to promote their businesses and the improvements made to the businesses. The marinas would invest in a vehicle and a ferry to transport people from property to property.

Mayor Hison mentioned that TIFA promoted a project in the 1980's that would have cost \$300 million, but the marina owners were not on board with it. He said TIFA promoted another project in the 1990's that would have cost \$500 million, but had troubles due to finances and the economy. Financing becomes the major concern and he is concerned with how the gas prices will affect boating. He is mostly concerned with accepting grants from Federal or

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) (Cont'd)

State and if that would open up the park to non-residents. Residents do not want the parks opened up to non-residents and he will do what the residents ask.

Mr. Widgren explained that TIFA looks for investments that the City can make, which is why they proposed something that would have a long-term benefit to the City. This is a plan that they feel could be financed. The TIFA money would be leaving the City if the funds are not used. This is an important opportunity to invest in a way that would not negatively affect homeowners' taxes. If done wisely and within the means we have, it could be controlled. He said they designed the project so that it could be stopped at anytime without having repercussions and without the project being wasted (before the project would go off track).

Mr. Widgren stated that in phase one the beach would be turned into wetlands.

Mayor Hison asked Mr. Widgren to clarify what wetlands are exactly. He asked if once an area is determined as wetland, if the area could be changed back to a beach or to whatever the area was to begin with.

Mr. Doyle explained that the reason to change the beach to a wetland is to improve the water quality. That beach does not have good water circulation and is closed (for swimming) most of the time. He mentioned that what they are hearing from the Federal, State and County levels is to soften the shoreline to create a habitat for fish. Soil would be put over the sand and plant material would be added. This would create a habitat for fish and improve water quality. Anything that is done to the shoreline must go through the Army Corps of Engineering and the Department of Natural Resources. The City would need a permit to change the beach to a wetland and the City would need a permit to change back from a wetland to a beach, although he is not certain of the procedure in details of changing the area back to a beach after it is changed to a wetland.

Mr. Ihrie clarified that if the area were changed from a beach to a wetland, it would need to be permitted by the State if it was decided that the area would be changed back to a beach. It is easier to change an area from a non-wetland to a wetland than to change an area from a wetland to a non-wetland.

Mr. Widgren re-iterated that marina owners would make significant improvements to have amenities for transient boaters.

Mayor Hison asked how TIFA is getting commitments on the investment side.

Mr. Widgren stated that the project would not happen if the investments do not come through. He said TIFA has been having conversations with the Federal and State to make sure they would do what they say they would do.

Mr. Samson, Jefferson Beach Marina CEO, was asked to represent the marinas as a group. He said they invested over \$1 million in improvements in the last three years at Jefferson Beach Marina. He listed some of the improvements that the marinas are making as follows: Jefferson Beach Marina is putting in a new roadway, Colony Marine is putting in new transient boat wells, and Emerald Marine is remodeling an entire dock and landscaping. He said other marinas are doing improvements as well even if not at such a large level. He explained that the group is here to say that they are here together to take this project to the next level. These improvements keep the greater community in mind and encourage boaters to come to St. Clair Shores as a destination to dine and shop. He said the City and businesses would be missing a great opportunity if they don't capitalize on this. He stated this model works and has proved itself around the country and this is not a short-term fix, but a long-term cure.

Mr. Widgren stated that TIFA connected with property owners in the district and has their agreement. He re-iterated what improvements would be completed in phase one, such as, the swimming pool and a facility with showers. He said the basketball and racquetball court "straddles" between being completed in phase one or phase two and would be decided at a later date if it would be completed in phase one or phase two.

Mayor Hison asked about the swimming pool and when the building for the swimming pool would be completed. He asked if the building that would house the basketball court and racquetball court would be enclosed and if it would be open all year long.

Mr. Widgren explained that the swimming pool would be completed in phase one and the pool building would be completed in phase 2. He said that the building that would house the basketball and racquetball courts would be enclosed and would be open all year long.

Mr. Widgren discussed how TIFA is working on accessing the funds needed for this investment. They have talked to various State and Federal agencies, but in many cases when they try to pursue funds, they are told that they must

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) (Cont'd)

have Council's support first. Environmental improvement funds can also be accessed once Council's approval is secured.

Mr. Widgren said the total project cost is \$5 million for all the amenities, the owner improvements, park management, etc. He said TIFA would finance \$3.2 million over the entire length of the project, which includes financing the maintenance of the facility. He explained the TIFA fund balance fiscal year ended June 30, 2016 would be \$314,579, annual TIFA net increment would be \$430,500, TIFA funding would be \$1.6 million and TIFA financing would be \$1 million.

Mr. Widgren discussed the sources of funds in 2013 as follows: public grants for boating infrastructure would be \$250,000, environmental improvement would be \$500,000, Great Lakes restoration initiative would be \$175,000, owner investment would be \$500,000, owner marketing contribution would be \$25,000 and TIFA financing would be \$775,000. He said this is considered a long-term project and we have the ability to fix or stop the project along the way.

Mayor Hison commented that the parks in St. Clair Shores are resident only parks and residents are very adamant about keeping all the parks for residents use only. He is concerned if the City accepts Federal funding, that it will open the parks up to non-residents and the residents have been very clear that they do not want to accept Federal funding if it will cause the City to have to open up the parks to non-residents.

Mr. Widgren stated that TIFA understands these concerns and will not accept any funds that will cause the City to lose resident only parks standing. He verified that TIFA has clearly heard the message regarding the resident only parks. The things that we can do or can't do would change the integrity of the project, so the project has been constructed in a way to maximize the ability to change the project.

Mr. Doyle said the boating infrastructure grants could be applied to private property, which would entitle the City to keep all its waterfront parks resident only. He said TIFA hasn't aggressively pursued the other grants yet.

Mayor Hison requested in writing that no money would be accepted if it would change the parks from resident only to non-resident.

Mr. Rubino questioned the transition from phase one to phase three. He stated he is having difficulty seeing how the project would progress from phase one to phase three. He asked what in phase one would excite someone to invest money and move forward to phase three, because the only thing that excites him about phase one is getting to phase three.

Mr. Widgren stated that phase three involves shops, a hotel, and is years down the road. He said that phase one would include installing a swimming pool, a facility with showers, changing the beach to a wetland and the marinas investing in transient wells. He said phase one is the first necessary step to get to phase three down the road.

Mr. Rubino asked if consideration was given to how adding a new swimming pool at Blossom Heath Park would affect the old swimming pool behind City Hall. He is concerned that the old swimming would become extinct. He questioned the park maintenance of \$50,000.

Mr. Widgren commented that the \$50,000 for park maintenance is only a placeholder and the amount could be double that.

Mr. Rubino asked if studies were done to show the amount of transient boaters there are in the area and to what extent they patronize local businesses.

Mr. Widgren said that a study was done and the numbers are impressive.

Mr. Rubino asked if it's likely that the transient boaters would use the marina and pool and not patronize local businesses.

Mr. Widgren stated that they would look into it more.

Mr. Samson explained that the group he is representing is a very realistic group of people that understand that phase one is not an impressive first step, but it is a very important step. The marinas in the area are having occupancy issues that need to be addressed immediately. This is a time to be proactive and not sit back. He said this group of

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) (Cont'd)

business owners needs to make strategic decisions to help the group as a whole. This is not the answer to the economic issues of the City; it's going to take a number of steps, but this is a good first step.

Mr. Samson mentioned that this money is intended for this type of use and they would like to see the money used for what it was intended. If these funds aren't used, a large amount of the money goes back to the County. He said they are not looking for additional money from the residents. This is a difficult economic time, but people are still going to boat and we need to create an area where people want to spend time. The Nautical Mile is an important area that people travel annually to come to. The Nautical Mile is being used nationally by architects as a reference. The history of TIFA has been a great one in this City and we want that to continue.

Mr. Kenney said the marina owners pulled together for this project and he feels that the higher gas prices are going to aide in making this project a success. The transient boaters are going to come here and patronize the shops and restaurants in the City. Approximately 82% of the marina's customers are non-residents.

Mr. Widgren commented that TIFA was created to invest into a region of the City that was not growing or maintaining its value. The TIFA group was adopted to collect additional taxes above the base tax. The point is to invest money now into the area and the City would reap the rewards by collecting taxes on business that are surviving and on new incoming businesses. He said that TIFA members have always been cautious to ensure that the money is used to do what is best for the City. He said as we continue to make this a better community to live in, we will continue to attract people to the area.

Mayor Hison commented that the incremental value that is captured is not tax dollars. He asked if the marina owners and developers would still move forward to phase three if this TIFA expires. If we don't do the right strategic decisions now, we could end up like many surrounding cities.

Mr. Rubino asked Mr. Samson if they thought this was such a good idea, why haven't the marinas done something like this on their own sooner.

Mr. Samson said that the marinas were not as unified as they are now, which is why they are doing it now. This is a concept with a fair amount of flexibility. He acknowledged that the marinas compete with each other for business, but explained that there is a healthy understanding of what needs to be done to have strong businesses. He commented that he would not want to be the sparkling marina while other marinas crumble, and he wouldn't want to be the last marina standing. The marina owners are putting a lot of money into their properties, but they have not had the opportunity to be unified until now.

Mr. Rubino asked Mr. Samson what he would say to the resident who spoke earlier and said the City needs to spend any extra money on blight issues in other areas of the City.

Mr. Samson said that resident made a good point, but it's important to remember that this was an agreement of money that was collected for a certain use in a certain way. The dollars are substantial, but are not substantial enough to deal with the blight issues in the City and this project. The money will be put in an area that has long-term sustainability. He said that everyone involved in this project wants it to be a family friendly facility so when the market recovers; the City is better able to attract that type of development and well as new residents.

Mr. Rubello commented that transportation would be a major issue because of how deep the marina properties are. He asked if there was a way to have traffic flow easily throughout the marinas and if transportation could be considered in the plans. He discussed some of his concerns and asked about successful TIFA projects.

Mr. Doyle discussed the water flow issues and the issues with the coast guard station at Blossom Heath Park. He said they are looking at ways to improve the water flow in that area.

Mr. Widgren listed some of TIFA's successful projects, such as, the Ten Mile Road Water Main project, Wahby Park, redoing the Blossom Heath parking lot, flower boxes along the Nautical Mile, the Christmas scenery at Wahby Park, and they help with the Nibble Fest. He commented that right now they have the most cooperative group of people to work with.

Ms. Rusie commented that so much of the project is being funded by TIFA. She asked who owns the land right now.

Mr. Frederick stated that this park is underutilized. He said some residents' properties face that park so there is a careful balance of what changes to allow in the park. He asked what the next step would be if Council approves this step.

3. PRESENTATION BY TAX INCREMENT FINANCE AUTHORITY (TIFA) (Cont'd)

Mr. Widgren said if Council approves the first step, it gives TIFA the ability to look for funding. He said, from a processing standpoint, they have to make a change to the TIFA plan that will be more specific.

Mayor Hison commented that the first decision Council needs to make is to decide if we are going to continue with TIFA.

Mr. Hughes said the next steps procedurally would be for the TIFA board to convene and vote, then a public comment period of 30 to 45 days, and then a vote by Council. He said this is a road map for moving forward.

Mr. Frederick announced that TIFA's marketing numbers are too low. He asked if the Jefferson Yacht Club is a part of the group. He mentioned having a phase four that incorporates other businesses on the Nautical Mile.

Mr. Widgren stated that this group feels that it is in their best interest to move forward with this project.

Ms. Beebe commented that the Jefferson Yacht Club has been a part of the group for the long-range plan, but she has not spoken to the owner in several months. She added that there have been many success stories involving TIFA and a decision had to be made on what the most modest project that could be done that would help the business owners.

Mayor Hison asked if TIFA could submit an amendment to the plan that would include the answers to all the questions that were raised including the funding and timeframe. He would like an answer to if this project would have a positive impact on the surrounding businesses on the Nautical Mile. He agrees that everyone needs to network together.

4. AUDIENCE PARTICIPATION (5 MINUTE TIME LIMIT)

Jamie Victory, St. Clair Shores resident, said he thinks this would be good for the City especially for the boaters. He agrees that the gas prices are going up sky high, but this project would promote St. Clair Shores as a place to go. He said the City should give this project a chance and if it doesn't work out, then it wasn't meant to be. He is in favor of this project and he hopes that other residents are also in favor of it.

Joe Backus, St. Clair Shores resident, said he utilizes Blossom Heath Park often. He has an issue with changing the beach to a wetland because every year chemicals are poured into the canals and into that area to kill the vegetation. He said he sent Candace Miller a letter asking that the road to the coast guard station be fixed because of the water issues there. He would like to preserve the beach at Blossom Heath Park so that future generations can use the beach. He is requesting that the City keep the parks for residents only because the parks belong to the residents.

Chuck Hall, St. Clair Shores resident, said that he is not against a first phase concept, but he wants the parks to be kept as resident only parks. He doesn't understand how TIFA can get State and Federal grants and still keep the parks as resident only and he is concerned about that. He doesn't agree with changing the beach to a wetland. He asked if the City is going to do anything with the blighted property on Ridgeway and Jefferson.

Eric Kenney, Grosse Pointe Woods resident, said that he owns a business on the Nautical Mile and he agrees with the TIFA project. He mentioned the wonderful improvements TIFA made to the Nautical Mile with the Streetscape Project and removing the old telephone poles. He is in favor of this project.

Tony Bellestri, St. Clair Shores resident, asked Council to approve this project, as this is a united group and a positive move that would help the City. He would like to see a phase four also, but this is a first start and is a positive thing for the next generation.

Jack Doerr, St. Clair Shores resident, said TIFA has collected money for over twenty years. He mentioned how three previous TIFA projects were planned and ended up failing. He asked if this project was going to fail. Many residents are hurting. He asked that Council terminate TIFA and put the money in the rainy day fund. He suggested to have a casino in the City.

Duane Michno, St. Clair Shores resident, said that fifteen to twenty years ago Jefferson Avenue looked horrible and TIFA did a great deal to improve the Nautical Mile. The City needs to draw people into it and these improvements would help.

Duane Ernst, St. Clair Shores resident, said this is a good concept and is an optimistic approach. He is concerned with receiving funds from the State, as he doesn't want to see the parks opened up to non-residents. He mentioned

4. AUDIENCE PARTICIPATION (Cont'd)

his concern about having two pools and he thinks that the pool in the park behind City Hall will become desolate. He lived in Ft. Lauderdale, Florida and said the waterway there should be used a model for what the City could do here. He said the concept is great, but some issues would need to be worked out first.

Peter Beauregard, St. Clair Shores resident, mentioned that if the private marinas apply for a grant for matching dollars (it's a point system not dollar for dollar), the City would not be required to open the parks up to non-residents except for the transient boaters. He stated that if the City is not willing to invest in this asset, then he asks himself why he should invest in his business in this City.

5. ADJOURNMENT

Motion by Frederick, seconded by Rubello to adjourn the meeting at 10:17 p.m.

Ayes: All – 5
Absent: McFadyen, Walby

ROBERT A HISON, MAYOR

MARY A. KOTOWSKI, CITY CLERK