

**CHARTER TOWNSHIP OF COMMERCE  
DOWNTOWN DEVELOPMENT AUTHORITY**

**Tuesday, January 19, 2016  
Commerce Township Hall  
2009 Township Drive  
Commerce Township, MI 48390  
12:00 p.m.**

**CALL TO ORDER:**

The Meeting was called to order by Chairperson Gotts at 12:00 p.m.

**Downtown Development Authority:**

**Present:** Mark Stacey, DDA Director  
James Gotts, Chairperson  
Dan Lublin, Vice Chairperson  
Tim Hoy, Member  
Jose Mirkin, Member  
Susan Spelker, Member  
Brian Winkler, Member  
David Smith, Member  
Tom Zoner, Township Supervisor  
Susan Averbuch, Member

**Also Present:** Thomas Rauch, DDA Attorney  
Molly Phillips, DDA Treasurer  
Vanessa Magner, DDA Secretary  
Matt Schwanitz, Giffels-Webster Engineer  
Randy Thomas, Insite Commercial  
Amy Neary, Planning Consultant, McKenna Associates  
Dave Campbell, Township Planner

**Item 1: Approval of Minutes**

**MOTION** by Lublin, seconded by Mirkin, to approve the Regular Meeting Minutes of December 15, 2015 as presented. **MOTION CARRIED UNANIMOUSLY**

**Item 2: Public Comments**

None.

**Item 3: Bond Refunding Presentation - Mike Gormely & Tom Traciak**

Mike Gormely and Tom Traciak provided a presentation to the Board regarding Bond Refunding.

Tom Traciak - As you may recall, the DDA over the last 12 years or so has issued various types of bonds, some variable and some fixed rate bonds. The variable have a very specific purpose. If there is an influx of cash from property sales, we wanted to be able to get back out of the bonds, which variable rate bonds allow for. Variable are not being addressed today. We are talking about some of the fixed rate bonds.

We're reaching a point where it is economical to refinance those fixed rate bonds. Common practice is a 10-year call on fixed rate, so those cannot be paid off within the first 10 years. If they're 20-year bonds, it's the first 10 years. We're approaching that call date and we can do something called an advanced refund. It can be refunded today so that money can be escrowed for a time until the actual call date, then the existing bonds can be paid off.

This is pretty common practice. Even if interest rates stay the same over time, you would tend to refund bonds at the 10-year point. It's similar to a mortgage. If you're halfway through a 30-year mortgage, you don't want to keep paying 30-year rates. You refinance to 15-year rates. The same principal applies here.

The bonds have a separate interest rate per year, so the interest rate on existing bonds goes up every year on an ascending scale. There's an opportunity here to refund the bonds. Interest will be paid on two sets of bonds during this period of time until the call date arrives and that may not seem efficient, however, that depends on what you think will happen with interest rates over the next year or two. If they're expected to stay the same or decrease, then waiting for the call date makes sense. If you expect they will increase, then you get the refunding bond done now. That's why we're presenting this now.

The budget needs to be reviewed when considering paying on two sets of bonds for a while. This will not hurt the budget because we wrap the refunding bonds around the old bonds so that it's not an extra burden.

Vice Chairperson Lublin - Are we paying a penalty for paying it off early?

Tom Traciak - No because those are done with no-call premiums.

David Smith - How much money are we looking at here?

Tom Traciak - Good segue. Mike can take over on that.

Mike Gormely distributed a summary handout for the Board's review.

Tom Traciak - Just for those who are not as familiar, I'm Tom Traciak. I've been working with the Township since 1990, going on 26 years. I've done all the bond issue work for the Township and DDA. My predecessor worked for the Township for about 30 years, so we've got more than 5 decades between the two of us. Mike Gormely is with Hutchinson, Shockey, Erley, an underwriting firm. When you have this complex of a bond issue, you pick an underwriter to buy the bonds up front and that's the role that Mike and his firm assume.

Mike Gormely - As Tom alluded to, since 2003 when the DDA first issued its first set of bonds, right through today, I've been involved with Tom and Bowden Brown on every transaction. I met with the Township Treasurer back in December, presented the numbers to her, and then we had another meeting with Tom Traciak and Bowden Brown to make sure this works feasibly financially and legally.

To focus on Mr. Smith's question which was the numbers, we will focus on the fixed rate bond issues. In particular we looked at the Series 2008 bonds and the Series 2008A bonds. Series 2008 are the larger transaction, approximately \$21 million that can be refinanced. With the 2008A, issued at a different time, there's about \$2 million outstanding. These have different maturity dates. The 2008 are maturing April 1, beginning 2018, and the 2008A mature on December 1. We used an April 1 maturity for the refunding bonds. The average coupon between those two bond issues you're currently paying is about a 4.62% of the refunded bonds. The par amount of the refunding bonds is about \$21,675,000. That is because right now in today's environment, given the low interest rates, bond buyers are wanting premium bonds. That means the Township would pay a premium coupon, but up front, they would be paid a premium at closing to reduce the amount that they're going to borrow. That's roughly about \$4 million that we've calculated so far that we've looked at that would come in as an original issue premium to reduce the borrow, so you're paid that premium up front. That's why there's a differential between the refunding bonds and the refunded.

The average interest rate goes down to about 2.5%. I must tell you, these rates are a tad old, but fortunately the market has moved in your favor from a borrower's perspective, meaning rates have gone lower because of the stock market. When doing these transactions together, the 2008 and 2008A, these are tax exempt transactions, we would just refund them together as one and

you'd be looking at gross savings of \$2,017,138. It's about \$200,000 average annual savings to the DDA directly.

David Smith - For 10 years?

Mike Gormely - The 2008A bonds drop off in 2024, the smaller amount. The 2008 bonds drop off in 2028. Those would continue out. We're not accelerating the debt service or extending it. We're going to mirror the amortization and try to take the savings on a level basis. After dual payments, it's roughly \$200,000 annually after the 2018 call date on the 2008 bonds. After that, the DDA will be left with the 2006 refunding bonds, combining these two bond issues into one. The Treasurer is prepared to go over the analysis of the debt service.

Mike Gormely continued his review of the handout in detail, including footnote references, details of the savings, cost of issuance, gross and present value basis, and industry standards for refunding. Costs are rolled into the new refunding.

Vice Chairperson Lublin - How many years will the new bond be for?

Mike Gormely - It's going out to 2028, which matches the existing 2008 bonds. This is not being extended or shortened. As Molly's sheet shows, a portion of that drops off in 2024 with the 2008A bonds, at which time the debt service reduces and the savings reduce accordingly.

Tom Traciak - A couple of thoughts about timing here, first the duration of the bonds and how far they go out. The reason we mirror the existing bonds is because if we shortened it, your payments would go up, impacting the annual budget. If we lengthen it, we run the risk of losing savings. Under state law, we can only do this issue if it produces net present value savings. I've been looking at this issue since Summer 2014. As time goes by, the negative arbitrage keeps going down because the time the money is in escrow, from when we do the refinancing to the call date on the old bonds, keeps shortening. Savings are improving by waiting until today because short-term interest rates have actually come up which helps the escrow account, and we've shortened the duration of the escrow account. Long-term rates have stayed low, so you're at a good combination.

Open discussions continued regarding other outstanding bonds, decreasing rates, the net present value savings, rating costs, and the timeline for making decisions. These are fairly complicated for a financing team, with the legal and official statements, and it takes some time to bring this to market. Tom Traciak explained that it could take 2 to 2-1/2 months to go through the approval process. Vice Chairperson Lublin discussed the bond market and decreasing rates at length. Tom Traciak clarified that the figures provided to the Board were only estimates based on current market conditions, but the final numbers would be presented after the resolution was adopted. Actual rates would not be available until approximately March. Savings will be monitored as the process moves along, and there is flexibility with the pricing date.

Treasurer Phillips reviewed the summary spreadsheet comparison she had provided, showing principal and interest from now until 2028 on both bond issues and the annual savings. Susan Spelker asked if there was any downside to refunding of the bonds as discussed. Treasurer Phillips replied that she did not see any downside as the potential savings is \$200,000 per year. If approved, the proposal will go before the Township Board next week and the presentation will be delivered.

**MOTION** by Smith, supported by Lublin, to recommend moving forward with the bond refunding process, as presented and addressed herein, so that the Township Board can consider the process for approval.

**MOTION CARRIED UNANIMOUSLY**

#### **Item 4: Director's Report**

Director Stacey discussed the following items with the Board:

- Loans were repaid last month after the Galbraith closing.
- Pre-pay PNC - We were required by PNC to withhold the next principal payment which is due in October of 2016. We are seeking the Board's approval to authorize the Treasurer to pre-pay since the funds are required to be held in the PNC account. This will generate modest savings.

**MOTION** by Spelker, supported by Hoy, to authorize the Treasurer to pre-pay the PNC principal payment.

**MOTION CARRIED UNANIMOUSLY**

- MTT Judgments - One judgment this month for \$1536.
- HOA Items
  - Lighting - CJs Lighting, Chris Niestroy & Shaw Electric
    - Exciting news on the lighting system: We have \$61,000 in claims being paid by the insurance company for damaged light poles. We will place orders and have CJs install the new poles in the spring.
    - Additional claims are being processed for more recent accidents. Our system is working as police reports are being sent to our office and claims are filed promptly. The insurance company then pursues the driver's insurance for reimbursement.
    - The lighting system is now working. The breaker issue has been resolved and lights are on between the Library and Wal-mart. CJs and Shaw worked together on two separate occasions to determine the location of the short and repair it. This also required the rental of a Bobcat to dig up the underground short, which was buried in conduit. These bills are in the warrants, and additional invoices will follow.
    - We have installed 7 of the 10 drivers we had in stock, and the rest will be installed as soon as weather permits. We have a current need to order an additional 10 drivers, and 3 surge suppressors, one for each control panel as these are all in need of replacement and they protect the panels which cost about \$25,000 to replace as they are the most high-tech boxes available. The drivers are approximately \$250 each, and the suppressors are \$550 per box and 2 hours per panel to change them. The cost for these orders will be approximately \$5,000.

**MOTION** by Smith, supported by Lublin, to authorize the lighting expenses as outlined by the Director with a cost of approximately \$5,000.

#### Discussion -

Smith - This is working toward getting the system up and running in the near future.

Stacey - The goal is that this spring, we will have the system up and running so that we can hand it over to the HOA.

**MOTION CARRIED UNANIMOUSLY**

- Tax Prep for HOA - Authorization is needed to hire Plante Moran to prepare taxes for the HOA for 2014 and 2015.

Smith and Director Stacey discussed potential costs of having the 2-page tax form completed for the nonprofit. Lublin suggested getting the quote in advance prior to approval. Director Stacey will bring the request back next month.

In closing, Director Stacey added that a joint meeting has been set up for March 22nd at 7pm for the DDA, Planning Commission and Township Board.

#### **Item 5: Attorney's Report**

DDA Attorney, Thomas Rauch, stated that the vast majority of his firm's work has been related to the Shapiro Galbraith closing, which closed in December.

#### **Item 6: Engineer's Report**

Matt Schwanitz, Giffels Webster, reported that they have been providing backup to Attorney Rauch with various items on due diligence and supporting him on information requests.

#### **Item 7: Planner's Report**

Dave Campbell, Planning Director, discussed the following with the Board:

- Township Board will be considering a series of re-zonings at their February meeting from what is currently the OR zoning to the new TLM, Technology and Light Manufacturing. A lot of those 180 properties are within the DDA area.
- The Aldi grocery store is proposed at the corner of Haggerty and Walnut Lake. That will likely be before the Planning Commission in February as all reviews are in.
- Merrill Park, which is the Hunter Pasteur residential development, is still in the hands of the DEQ for wetland permits. Whether they receive that permit may dictate changes in their site plan which has been conditionally approved.
- First & Main, the Granger assisted-living site plan, is in for building permit review and staff is working to ensure that they comply with all conditions of site plan approval.
- Calls are coming in from prospective tenants within the Aikens development. They have been inquiring about updates on traffic counts and things of that nature which is an indication that this is progressing as the tenants are doing their due diligence.

#### **Item 8: Committee Reports**

- A. Finance Committee – Director Stacey stated that Tim Hoy has returned to the Finance Committee. A report will be available next month. Work has been done on the warrants and expenses, and some time has been spent on the bond issues.
- B. Public Relations Committee – Jose Mirkin stated that all of the events coordinated by the Public Relations Committee are running as planned and everything is moving forward.
- C. Marketing Committee - David Smith deferred to Randy Thomas.

#### **Item 9: Insite Commercial Report**

Randy Thomas provided an overview of the Insite report submitted in the DDA Board's packet. He stated that he and Director Stacey had gone before the Planning Commission and the Township Board last week to deliver presentations and bring everyone up to date on the status of the DDA.

#### **Item 10: Approval of Warrants, Carry-Overs and/or Add-ons, and Revenue & Expenditure Report**

David Smith discussed counsel invoices in the warrants with Attorney Rauch.

**MOTION** by Smith, seconded by Spelker, to approve the Warrants, Carry-Overs and/or Add-ons and the Revenue & Expenditure Report. **MOTION CARRIED UNANIMOUSLY**

**Item 11: Other Matters**

- Susan Averbuch stated that the new adopt-a-road signs are up along Martin Parkway for Friends of Susan Averbuch. She will be recruiting help for the spring cleanup.
- **The next regularly scheduled meeting of the DDA is February 16, 2016 at 12:00pm.**
- Winkler, Mirkin and Smith informed the Board that they would be unable to attend the February meeting. Attorney Rauch explained that if 6 members are present that would be a quorum, allowing for the meeting to be held, however a closed session would not be permitted.

**Item 12: Closed Session**

**MOTION** by Spelker, supported by Mirkin, to enter into closed session at 12:56pm for the purpose of consulting with counsel regarding a written legal opinion, as well as to consider material exempt from disclosure under attorney-client privilege.

**Roll Call Vote**

**Ayes:** Spelker, Mirkin, Averbuch, Winkler, Lublin, Gotts, Hoy, Zoner, Smith

**Nays:** None

**MOTION CARRIED UNANIMOUSLY**

**MOTION** by Spelker, supported by Mirkin, to exit closed session and approve the minutes at 2:00pm.

**MOTION CARRIED UNANIMOUSLY**

**Item 13: Adjournment**

**MOTION** by Spelker, seconded by Mirkin, to adjourn at 2:01pm.

**MOTION CARRIED UNANIMOUSLY**



Vanessa Wagner, Clerk  
DDA Secretary