MINUTES
Committee of the Whole
Monday, November 27, 2017 @ 5:30 p.m.
City Council Chambers

CALL TO ORDER
Council President Spitzley called the meeting to order at 5:30 p.m.

PRESENT
Councilmember Brown Clarke
Councilmember Kathie Dunbar- arrived at 5:33 p.m.
Councilmember Tina Houghton
Councilmember Adam Hussain
Councilmember Patricia Spitzley
Councilmember Jody Washington
Councilmember Carol Wood
Councilmember Jessica Yorko

OTHERS PRESENT
Sherrie Boak, Council Staff
Jim Smiertka, City Attorney
Chad Gamble, Director of Public Service
Angie Bennett, Finance Director
Heather Sumner, Assistant City Attorney
Eric Brewer, Council Internal Auditor
Kathy Miles
Brockton Feltman
Elaine Womboldt
Loretta Stanaway
Anita Turner
John Addis
Tracy Winston
Paul Beitler
JP Beitler
Mayor Bernero - arrived at 6:30 p.m.

Minutes
MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE MINUTES FROM NOVEMBER 13, 2017 AS PRESENTED. MOTION CARRIED 7-0.

Public Comment on Agenda Items

Ms. Miles questioned why the Mayor was referring the Medical Marihuana Commission appointments and if the industries and neighborhoods were supposed to be represented on the Commission. Ms. Miles then spoke in opposition to the building of city hall, spoke in opposition.

Ms. Womboldt spoke in opposition to the appointments to the Medical Marihuana Commission and asked the Committee if they were contacted by the Administration for their recommendations.

Council Member Houghton stepped away from the meeting at 5:34 p.m.

Ms. Womboldt asked for information on the procedures for the Medical Marihuana Commission and then spoke in opposition to the selling of City Hall.

Council Member Houghton returned to the meeting at 5:35 p.m.

Ms. Stanaway spoke in opposition to the proposed appointments to the Medical Marihuana Commission and in opposition to the proposed City Hall project.

Discussion/Action:

General Fund Status Report for 1st Quarter FY2018

Ms. Bennett distributed an updated General Fund Status Report and the Vacancy Factor Report as of 9/30/2017. Ms. Bennett then went through the funds, noting that the revenues were on par with where they were expected to be. Regarding the benchmarks, Ms. Bennett stated that the City is within 1%, and there is nothing substantial expected at this point. The total General Fund is on target with the benchmark, even though some areas appear lower. All departments are within their budget targets, except two departments are out of their range, those being the Clerk's office and the Fire Department. That has to do with the election for the Clerk's office and for the Fire Department is has to do with the collective bargaining agreement. Overall, Ms. Bennett noted that the revenues and expenditures are on target for the 1st quarter of the year.

Council Member Brown Clarke asked about the transfers in the expenditures and asked if those were unallocated and what they represented. Ms. Bennett stated the transfers were from other funds such as CIP, the golf course, and where the general fund transfers to other funds.

Council Member Wood asked for an explanation on the return on equity, and return on the WWTP that ended in FY2017. Ms. Bennett stated that the general fund had contributed to the WWTP years ago and that return on equity was on the future value computation which ended in 2017 because it had been satisfied. It was $300,000.

Ms. Bennett moved the discussion to the Vacancy Factor Report, and noted that budget for FY2018 was $500,000. As of the 1st quarter, they expect $135,000 and have no concern at this time and so they are proposing no budget adjustments.

Council President Spitzley asked for verification that the current amount was $247,939. Ms. Bennett confirmed that is the amount not spent because those positions are vacant as of 9/30/2017. Council President Spitzley then asked what the total FY2018 amount was, and Ms. Bennett stated it would be $500,000 and they would then expect the 1st quarter to be $125,000. Council President Spitzley asked Ms. Bennett for the Administrations goals were for filling all the vacancies on hold. Ms. Bennett defined "hold" as sometimes being that they are filling higher prioritized positions first, or looking at restructuring before filling the positions.

Council Member Wood asked for the report to be amended to include a column noting when the positions became vacant, and also a column noting where were new positions that were added to the budget. Ms. Bennett was not able to provide any of that information. Council Member Washington reiterated the need to evaluate the vacant positions and evaluate how long they have been vacant to determine if they should be included in the budget any more. Council Member Brown Clarke suggested that since the funds are unallocated unspent dollars and undedicated, they could be used to work with Michigan Works to look at a pool of candidates to fill some vacancies, and if not filled remove them from the books.

Council Member Dunbar stepped away from the meeting at 5:52 p.m.

Council President Spitzley reminded Ms. Bennett that Council has, multiple times, in the past requested that the information be placed on the report.

Council Member Brown Clarke suggested that any unallocated funds from positions they know will be vacant in FY2018 be transferred to the budget line item for the City employee location program.

Council Member Wood informed the Committee that she had asked Mr. Brewer to put information together, but he still does not have access to look at the information.

<u>RESOLUTION- Appointment of Brockton Feltman; 1st Ward Member of Medical Marihuana Commission; 3 Year Term</u>

Council Member Dunbar returned to the meeting at 5:55 p.m.

Mr. Feltman outlined his work history with the Democratic Advisory Board, and acknowledged he had applied for the Zoning Board of Appeals, was not sure what the Commission's role was, but this Commission was not available at the time of his application. Based on this recent appointment change, he admitted he had already started to read up on the medical marihuana ordinances, statues, and believed his work experience in analyzing policy and speaking to constituents would bring something to the Commission.

Council Member Wood asked Mr. Smiertka to outline the responsibilities of the Commission to all the applicants. Mr. Smiertka read the ordinance noting the Commission is the appellate body which is the due process function. If an applicant for any license is rejected, not approved or revoked, this is their direct appeal. There is a hearing officer appointed at the by the City Clerk, once the Clerk reviews the hearing officers decision, and it is similar to the Clerks determination, then the applicant can appeal to the Commission. The Commission can only review the appeal and make a determination. A second function of the Commission is to study the ordinance and make any recommendations to the Council. Council Member Wood asked if they could have any connection to medical marihuana facilities. Mr. Smiertka confirmed they cannot, and would be subject to all other requirements in the Charter.

Council Member Wood asked Mr. Feltman his intentions on connecting with the public and bringing their recommendations to Council. Mr. Feltman admitted he had no network of communications at this point, but stated he would make himself available. Council Member Wood encouraged him to reach out to the neighborhoods.

Council Member Washington outlined her concerns, frustrated that the applicant was not aware of the role of the Commission, and not aware of the 1st Ward which he will be representing. Council Member Washington then provided verbal information on the 1st Ward Neighborhood groups and monthly meetings and concluded by encouraging him to find out what the commission is about. Mr. Feltman apologized for not being familiar with the 1st Ward, and he would make every effort to become an expert in the role of the Commission. Council Member Washington offered her assistance to Mr. Feltman in reaching the neighborhoods.

MOTION BY COUNCIL MEMBER WASHINGTON TO APPROVE THE APPOINTMENT OF BROCKTON FELTMAN TO THE MEDICAL MARIHUANA COMMISSION; 1ST WARD FOR A THREE (3) YEAR TERM. MOTION CARRIED 8-0.

<u>RESOLTUION – Appointment of Anita Turner; 3rd Ward Member of Medical Marihuana Commission; 1 Year Term</u>
Ms. Turner provided information on her past work experience which included 30 years at the Ingham County Health Department, and her nursing career in which she still holds an active nursing license. Ms. Turner confirmed she had not applied for this Commission because at the time she applied the Commission was not yet established, and her desire was to be on an initiative board, or an aging board.   Ms. Turner confirmed she had been a resident in Ward 3 for ten (10) years, and believed her background would be a benefit.

Council Members Brown Clarke, Wood, Hussain and Washington spoke in support of the appointment of Ms. Turner.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE APPOINTMENT OF ANITA TURNER TO THE MEDICAL MARIHUANA COMMISSION; 3RD WARD FOR A ONE (1) YEAR TERM. MOTION CARRIED 8-0

<u>RESOLUTION – Appointment of John Addis; 4th Ward Member of Medical Marihuana Commission; 3 Year Term</u>
Council Member Yorko spoke in support of Mr. Addis and his work in the neighborhoods, volunteerism and as a business owner.

Mr. Addis confirmed he had not requested to be appointed to this Commission, but was confident he would be placed where he was needed, admitting he had spoken with the Mayor about this Commission. Mr. Addis confirmed he was a resident, a business owner, and believed this type of Commission is what a business owner should be involved in. Mr. Addis concluded by stated he supported medical marihuana legalization, and believe it needs to get correct.

Council Member Washington acknowledged that the Council had discussed having a business owner on the Commission, and this appointment would meet that need.

MOTION BY COUNCIL MEMBER YORKO TO APPROVE THE APPOINTMENT OF JOHN ADDIS TO THE MEDICAL MARIHUANA COMMISSION; 4TH WARD FOR A THREE (3) YEAR TERM. MOTION CARRIED 8-0

<u>RESOLUTION – Appointment of Tracy Winston; At-Large Member of Medical Marihuana Commission; 2 Year Term</u>
Ms. Winston provided information on her policy work background, her role as a lifelong resident of Lansing and her community work with her church and outreach programs.

MOTION BY COUNCIL MEMBER BROWN CLARKE TO APPROVE THE APPOINTMENT OF TRACY WINSTON TO THE MEDICAL MARIHUANA COMMISSION; AT-LARGE FOR A TWO (2) YEAR TERM. MOTION CARRIED 8-0

Property Redevelopment Agreement; City of Lansing and Beitler Real Estate Services, LLC RE: David C Hollister Lansing City Hall located at 124 W. Michigan Avenue and construction of new City Hall on a proposed site

Mayor Bernero spoke on the proposed sale of City hall and redevelopment of it as a hotel. He confirmed after working with CBDE and LEAP they issued an RFP and received 4 proposals. After vetting the proposals and receiving unanimous recommendations they chose the Beitler Group and then looked at the former LSJ for the new City Hall.

Mr. Beitler introduced himself and began his presentation by stating that their proposal was to maximize the current City hall, and that two weeks ago they were informed that the City could purchase the former LSJ site for the new City hall. His company has reviewed the City resources and done a comparison to the LSJ building, and will provide that to Council at this meeting.

Presented a power point presentation which began with the history of the current city hall. (Attached)

Council President Spitzley stepped away from the meeting at 6:41 p.m.

The presentation continued.

Council President Spitzley returned to the meeting at 6:42 p.m.

Mr. Beitler noted that over 60 years the City hall has not changed, but all the functions of the City have, and the only way to fix that is to move. Mr. Beitler believed that government should compete like businesses do to provide the best services to the community.

Council Member Washington stepped away from the meeting at 6:43 p.m.

Council Member Washington returned to the meeting at 6:44 p.m.

Council Member Yorko stepped away from the meeting at 6:48 p.m.

The presentation outlined plans for the current City hall conversion into a hotel system and maximize what is currently there.

Mr. JP Beitler presented a comparison to a project the company has in Madison Wisconsin. The same situation is occurring where they are leasing for 99 years, but will put all the improvements as the tenant of the building. For the City of Lansing they will pay rent annually, at $225,000 per year. That will escalate every 5 years at 5%, maximizing the value of the ground. Beitler is proposing a Ground Lease Plan to minimize the risk, the City maintains ownership.

Council Member Houghton asked where the parking for the proposed hotel would be. Mr. JP Beitler stated underground and valet parking would go to the ramps.

Council President Spitzley asked per the development agreement the Council had, is there a year that Beitler holds the lease then sells, transfers or assigns. Mr. JP Beitler stated it would depend on the market. As a hotel developer, they build and then sometimes exit after 10-15 years depending on the market. Realistically they would hold onto it for 10 years.

MOTION BY COUNCIL MEMBER YORKO TO APPROVE A RESOLUTION TO SET A PUBLIC HEARING FOR DECEMBER 11, 2017 FOR THE PROPERTY REDEVELOPMENT AGREEMENT FOR CITY HALL WITH THE CITY AND VEITLER REAL ESTATE SERVICES.

Council Member Brown Clarke asked if the development agreement in front of them was for the current City hall or the new site. Mr. Smiertka confirmed the agreement was for both. Council Member Dunbar asked to see the presentation on the proposed new site before taking action on the motion on the floor, and asked Council Member Yorko to withdraw her motion.

Council Member Yorko suggested the Beitler Group return at another meeting so to respect the public who were arriving for the Council meeting at 7. Council Member Wood supported the need to respect the time of the public, but she also could not to set a public hearing at this time. Council Member Hussain agreed to not setting hearing until more information was presented, as did Council Member Washington.

Council Member Yorko proposed setting a special Committee meeting on December 4th prior to the public hearing for a further presentation.

Mayor Bernero encouraged the Committee to continue based on the importance of the discussion and time was of the essence.

COUNCIL MEMBER YORKO WITHDREW HER MOTION.

COMMITTEE OF THE WHOLE WAS RECESSED AT 7:16 P.M. TO GO INTO THE REGULARLY SCHEDULED COUNCIL MEETING.

COMMITTEE OF THE WHOLE WAS RECONVENED AT 10:00 P.M.

Mr. JP Beitler brought the conversation back to the comparison to their project in the City of Madison, assuring the Council they were not looking for approval at this time, but asking for them to set the required public hearing for December 11, 2017.

Mr. Hannan was present, but Mr. Gamble and Mayor Bernero did not return after the Council meeting.

During the presentation they presented photos of building they have been involved in. Council Member Wood asked how many of those buildings they still owned, and was informed they have sold them, and the longest they have ever kept a building was 20 years. Council President asked if the company has ever had a transaction with a ground lease at 99 years. Mr. Beitler stated they have that with the property in Madison, and are the tenant there. The documents had an Exhibit C which outlined the circumstances there would be a transfer, and Mr. Beitler admitted they have the right to transfer and if they take ownership as a corporation and bring in investors, but can transfer any time. This has not been done yet in Madison.

Mr. Beitler moved onto the presentation on the proposed building, which was on the site of the former Lansing State Journal. He quickly referenced the feasibility study of the current building. It was also noted that the proposal includes moving the jails, Police station and courts. Renderings in the power point presentation depicted a three story building based on calculations they would perform on each department. With 74,000-75,000 square feet, and the addition of bathrooms, circulation and functions it would bring the total square to 100,000. He also assured the Committee that the building would work for City Hall, and there is potential to add on in the future. The Beitler group at the time did not have a budget, but assured the Committee that with their experience and the cost to build currently it can be done and is affordable. The cost of construction for labor and materials is going up 15%.

Council Member Wood asked for a copy of the report mentioned in the presentation slides, at which Mr. Beitler referred her to the website. Council Member Wood then asked Mr. Hannan if an RFP was done for the new City hall, and Mr. Hannan answered that one RFP was done for the sale of the current City hall and the acquiring of a new building. Council Member Wood asked who made the decision of using the former LSJ building. Mr. Hannan stated that the City accepted the Beitler proposal, which was to build a new City hall as a location of the City choosing. Council Member Wood asked where the courts and jail would be going. Mr. Hannan stated the Administration continues to engage in conversations with the County on regionalism and there are plans with options.

Council Member Wood asked the Beitler group what the cost per square foot would be. Mr. Beitler acknowledged they did not have a cost yet, but given a perimeter of $50 million and they believe that is on the high side. They would plan for $30 million for the building, all in hard cost, then $10 million for soft costs which includes architectural costs, constructions fees, so they expect an all in target at $40 million. Council Member Wood asked Mr. Beitler if they had looked at any other buildings for the new City hall, at which he stated no. Council Member Dunbar asked if everyone developer that applied were given a $50 million perimeter, and Mr. Hannan stated there were no specifics to this specified project. Council Member Dunbar then asked for the amounts from the other applicants, at which Mr. Hannan referred her to the City website. He then stated to the Committee that they want the current City hall to start on a hotel, and do not have a preference on the new building. Council President Spitzley noted to the Beitler Group that Council will need to know the cost to fully evaluate, which Mr. Beitler confirmed they would come to Council with the type of construction for the site and cost once a decision has been made. They will develop plans, get specifications, and get a guaranteed price and appraisals. Council Member Hussain asked why LSJ as chosen. Mr. Hannan stated they did consider other options, Lake Trust site being one, but the key criteria was having a building in the downtown area, and in the end LSJ was chosen. Council Member Washington asked if there was already an agreement in place with LSJ or was it contingent on moving forward with this development plan. Mr. Hannan noted that the building is owned by the Eyde Company and they have negotiated a transaction with the Beitler Group, then the Beitler Group will remodel it and then the City will purchase it from Beitler Group. The whole package is contingent on City Council approval, financing, etc. This presentation and setting a public hearing is the beginning to establish the framework to move forward in a systematic manner. Mr. Smiertka noted that both processes are going through ACT 31 now and this transaction is similar to a construction management contract. They will have to present the bid package, the plans, the specifications, and the appraisals all before Council.

Council Member Brown Clarke noted that at the public presentations, the other bidders already owned secondary properties and so they were proposing the City go into use those. In regards to the Courts and the LPD Jail, she then asked what the cost allocation of the City.

Council Member Washington provided her opinion that she was not ready to set a hearing, and the Council has yet to see what is wrong, floor by floor with the current building and what is safety related and what is cosmetic. The Courts and their location also need to be considered she stated, and suggested that in 3 months, if it is a good idea, it will still be a good idea and Council will have figures to look at. Council Member Dunbar supported the presentation on the new building and her belief was that the current building is not efficient. She asked Mr. Beitler if their design included the LPD Administration offices, but Mr. Beitler was not able to answer that.

Council President Spitzley asked that the presentation from the meeting be sent to Council Office Manager Boak for distribution to Council.

Council Member Dunbar asked Mr. Beitler if the lease amount of $225,000 would then be transferred to the payment of the new City hall. Mr. Beitler stated that is the maximum amount of rent. Council Member Dunbar restated what was noted earlier that it would be $40-$50 million for the current City hall and then $40-$50 million for the new building, so the question is if the rent payment on the current City hall going on the bond debt for the new building. Mr. Hannan stated the revenue stream on the ground lease would go towards debt service for the new building and there would also a Brownfield that would be captured.

Council Member Brown Clarke asked what the turn-around time would be on the City hall would be. Mr. Beitler stated his intentions would be 18 months on the current building and the new building would depend on when the approvals are set forward and then they will do a projected timeline. The plan would be to renovate the LSJ building first, move the employees then do the current building with a time line of 18 months.

Council Member Hussain referred to the DLZ Study which suggested a feasibility study, but if that study was not done, how can Council compare costs. He admitted he was struggling with the potential cost and urgency. He also noted to Mr. Hannan that his knowledge was that the County is not interested in an intergovernmental agreement for the Courts or jail.

Council Member Wood asked for the appraisal on the LSJ building, at which Mr. Beitler was not able to provide and Mr. Hannan stated he would have to check on. Council Member Wood then asked Mr. Beitler what their option timeline was. Mr. Beitler answered it was 120 days and 20 days had passed, and they can extend it.

Council Member Yorko agreed there are questions to be answered and there is a valid concern because the cost could increase over time, but her opinion was that, that was all the more reason to move the process forward and set the public hearing. Council President Spitzley supported setting a hearing.

Mr. Hannan informed the Committee that the Mayor’s office has been in communication with the new incoming Administration and they strongly support the development. In regards to the County discussion, the Administration is talking about the City detention facility not the County jail, and there are discussion options for a detention facility.

MOTION BY COUNCIL MEMBER YORKO TO APPROVE THE RESOLUTION TO SET THE PUBLIC HEARING FOR DECEMBER 11, 2017 FOR THE DEVELOPMENT PROPOSAL FROM THE BEITLER COMPANY. MOTION CARRIED 5-3.

<u>Other</u>

- City Council Facebook Page Policy was pulled from the agenda until 2018.

<u>Adjourn</u>

Adjourned at 11:09 p.m.
Respectfully Submitted by,
Sherrie Boak, Recording Secretary
Lansing City Council
Approved by Committee on December 11, 2017