AGENDA

Committee of the Whole
AGENDA FOR FEBRUARY 12, 2024 AT 5:30 PM

Lansing City Hall, Tony Benavides Lansing City Council Chambers
124 W. Michigan Avenue, 10th Floor
To provide input or ask questions on any item that is listed on the agenda,
members of the public may contact the City Council at city.council@lansingmi.gov or (517) 483-4177 prior to the meeting.

UPDATED 2/9/2024 A.M.

Council Member Garza, Chairperson
Council Member Hussain, Vice Chairperson

1. **Call to Order**
2. **Roll Call**
3. **Minutes**
   A. January 22, 2024
   B. February 5, 2024
4. **Public Comment on Agenda Items (Up to 3 Minutes)**
5. **Presentations:**
   C. Tri-County Metro Narcotics Squad Financial Report 2022 - 2023
   D. Lansing Entertainment and Public Facilities Authority Financial Report 2022-2023
   E. Lansing Brownfield Redevelopment Authority Financial Report 2022 - 2023
   F. Tax Increment Finance Authority Financial Report 2022 - 2023
6. **Discussion/Action:**
   G. RESOLUTION - Budget Amendment; Fiscal Year 2023-2024 Second Quarter
   H. RESOLUTION - Charter Commission; meeting location and per diem rate
   I. RESOLUTION - ACT-1-2024; Purchase Agreement, Masonic Temple, 217 S. Capitol Ave.
7. **Other**
8. **Adjourn**

Persons with disabilities who need an accommodation to fully participate in these meetings should contact the City Council Office at 517-483-4177 (TTY 711) 24 hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

MINUTES
Committee of the Whole
Monday, January 22, 2024 @ 5:30 p.m.
Tony Benavides Lansing City Council Chambers

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

PRESENT
Councilmember Peter Spadafore
Councilmember Adam Hussain
Councilmember Tamera Carter
Councilmember Trini Pehlivanoglu
Councilmember Jeffrey Brown
Councilmember Ryan Kost
Councilmember Jeremy Garza
Councilmember Brian T. Jackson

OTHERS PRESENT
Sherrie Boak, Council Staff
Jim Smiertka, City Attorney
Mark Lawrence, Mayor's office
Dick Peffley, LBWL
Heather Shawa, LBWL
Norma Bauer
Lisa Hagen-Lawrence, OCA
Tyler Baker, Maner Costerisan
Bill Tucker, Maner Costerisan
Jake Bower, Chief Strategy Officer
Desiree Kirkland, Finance Director
Jackson Mills, Budget

Minutes
MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM JANUARY 8, 2024 AS PRESENTED. MOTION CARRIED 8-0.

Public Comment
Ms. Bauer spoke acknowledged the reporting done by the Internal Auditor.

Presentations
Board of Water and Light Annual Audit for Fiscal year ending June 30, 2023
Mr. Peffley acknowledged it is again a clean audit and deferred to Ms. Shawa.

Ms. Shawa confirmed it was a successful audit with clean opinions. There is a were clean pension plan audit statements as well. Ms. Shawa outlined the positive financial results, specifically page 9 of the statements, on the net income of $16 million up by $4.5 million from the previous years. There were significant increases in expenses but those were offset by the revenues. There is an energy program where they look out 5 years and that allows them to keep the rates down for the year. Regarding the pension plans, all had strong balances, they are fully funded and at 146% funded balance.

Council Member Spadafore asked about the investment income differences and if things were changed over the years. Ms. Shawa stated it was pre-crash investments in the earlier years.

Council Member Jackson asked if the audit take in to account the financial position to comply within the State law of Clean Energy requirements. Ms. Shawa this is the audit for 2023, and the Climate would be going forward and will be included in the next Strategic Plan. Council Member Jackson asked if it is the same since the BWL goals is the same as the State plan. Ms. Shawa stated the audit does not audit goals but financial practices. Council Member Jackson asked if it takes into account of no finances with the goals, and Ms. Shawa stated it is taken into account in their Capital plan and OPEB. That next plan will go to the BWL Board in May and then they are invited to Council after that.

<u>Maner Costerisan Audit Presentation</u>

Mr. Tucker and Mr. Baker presented the audit and summarized the financial statements from June 30, 2023. First, he referenced the CAFR and the independent audit report. The presentation began with the Certificate of Achievement that is annual and submitted to the State. In the overview of the audit report he focused on the purpose of the audit, the opinion on the 10 units of the City funding. They provided unmodified or clean opinions on those 10 units. The projected reflected the statement of net position, which includes the Component Units which are also included in the Financial Statement.

They pointed out the two areas highlighted for the pension liability and post- employment benefits liability, which they then went through this page, which is page 119 in the audit document. Page 122 in the audit, spoke to defined pension for Police and Fire, which is at 54.9% funded, then they outlined page 125 in the audit which was retirement benefits for employees. For a snapshot of the assets, the statements were page 33 in the audit, and spoke to balance sheet for governmental funds and then the statement of revenues, expenditures and changes in fund balance. The fund balance at year end was $29,661,497 and currently there was $20,917,243 of unassigned.

Mr. Baker went through graphs in the presentation on general fund, etc. He then went through the letter of findings, beginning with the 2023-001 Material Journal Entries, which spoke to cause, criteria, effect and corrective action, noting this was similar to previous years. The next one was 2023-002 payroll process and there are processes and procedures, noting came of note, and that timing was subsequent so the finding should have been done earlier. The last finding was 2023-003 unfavorable budget variances which spoke to general fund and special funding. Exampled included pages 114, 115 and 116 of the audit. A recommendation was that the final budget as not shown as the Council approved. The GFOA wants to see a breakdown in the personnel and operating and in that breakdown, it showed over expenditures.

Council Member Spadafore referred to the budget variances and recalled that the 2022 audit and asked why this was happening, and Finance state then they would not have this happen again. It is noted that GFOA requirements make it reflect negative and asked the Administration rationale why seeing it again. Ms. Kirkland confirmed they met with Mr. Brower and the external auditors, and there is a plan in place and they will come before Council to approve the general policy and principals. They don't completely fully budget for grant funds, and they will start putting those in. Council Member Spadafore asked how the implementation of the new finance software going in, and Ms. Kirkland stated not this FY, one portion July and on portion in September. They hope to get all updates in the GF and fully into the system by close of FY 2024-2025.

Ms. Linden then went through her audit reporting. Ms. Linden asked how pension liability tied to government liabilities. Mr. Baker stated that in regard to Police and Fire would all be allocated towards public safety expense line item, and Employee gets allocated to each department for allocation for expenses. The similar idea for government is based on employees and FTE.

Council Member Brown noted in the presentation there are the same findings as last year, but different definitions. He asked if any recommendations from last year were implemented. Mr. Baker stated that over arching there were improvement in the area, not in the level or removing, but overall regarding payroll the Administration has been in touch with the department. The new accounting software implementation should be able to address some issues. Regarding journal entries and trial balances, they did get them sooner, but still not to the level where they can remove that issue from the findings. Council Member Brown noted that in the past the City was a 5 of ten, and now 70% closer, but there needs to be an understanding what that means. Mr. Baker stated he could not provide the overall, but here have been discussions on reducing from 7 to 3.

Council Member Pehlivanoglu referenced the findings, and it appears there are three remaining, and there are talks about changing processes, training staff, and those are significant and appreciated the work Finance is doing.

Council President Garza asked if they are fully staffed, and Ms. Kirkland stated they had OT during audit season, and should not have more OT until the next audit. They are looking at hiring one more accountant to help with reconciliation and other accounting tasks done in a timely manner. The posting has not been posted yet, but working with other departments because they get a lot of items late and not timely and does not always happen. They are working with departments on having finance person in each department to work with Finance.

Council Member Brown asked if there is a deadline not being met by the Departments. Ms. Kirkland stated they have not set deadlines but will be setting deadlines.

Discussion/Action

RESOLUTION – Elected Officers Compensation Commission; Set First Meeting for 2024 Season

Council President Garza summarized the resolution which outlines the timeline requirements with the first meeting on February 6th at noon.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE RESOLUTION FOR THE FIRST MEETING OF THE 2024 ELECTED OFFICERS COMPENSATION COMMISSION.

Council Member Hussain asked Mr. Lawrence if there are vacancies on the Commission and Mr. Lawrence stated he was not sure.

Council Member Jackson spoke in support of the Commission and the work they do, per the Charter.

Council Member Spadafore stated there is one vacancy which expired in October. Mr. Lawrence stated he would confirm and follow up with Council.

Council Member Hussain noted that the Commission makes a recommendation and Council has to either accept or reject the recommendation. He is encouraged to bring in the Commission to Committee of the Whole to hear about their work before they make a recommendation.

MOTION CARRIED 8-0.

RESOLUTION – Amend Resolution 2023-270 City Council Meeting Schedule
Council President Garza noted the proposed changes would reflect allowing for a full quorum of the Council since he and the Vice President would be absent on March 25th.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE RESOLUTION TO AMEND RESOLUTION 2023-270 2024 CITY COUNCIL MEETING SCHEDULE. MOTION CARRIED 8-0.

RESOLUTION - Budget Amendment; Fiscal Year 2023-2024 Second Quarter
Mr. Brower outlined the 2nd quarter adjustment, and acceptance of funds from the State would help to reimburse including adjustments in Police, Fire, Public Service to apply on recruitment side, City Clerks office, Charter Commission, Capital Improvement for the Stadium, revenue grants for Moore's Park Pool, and overall this amounts to an investment from the legislatures.

Council Member Kost noted the public service, fire and police from personnel, and asked if that was the $300,000 Council set aside for sign on bonuses, and asked if they were not using that but use for recruitment. Mr. Brower stated that they thought it would be better used this way. Council Member Kost noted his disappointment that they have not used it in 7 months and now want the funding to be used.

Council Member Garza asked where the interest on the ARPA funds were at, and Mr. Brower was not able to provide that information. Council President Garza stated that when it was decided on signing bonuses last year, Council was told bargaining units were needed to be discussed and he asked if the bargaining units were approached on this new plan. Mr. Brower stated he could check with Finance on that. Council Member Spadafore stated there were contracts settled recently but was this part of the bargaining and was unions involved in making this. Mr. Brower stated this was department lead. Council Member Kost asked if a recruitment issue was, and Mr. Brower stated that is what they want to do. Council Member Kost stated that is why signing bonuses was set aside and he asked again if unions were asked. Mr. Brower stated departments were asked, but he was not sure if unions were asked. Council Member Kost stated it appears that Council asked for the funds be set aside for this, and now seeing it has sat for 7 months and now the administration wants a new plan and was frustrated the funds were not spent. Mr. Brower stated it is their hope that the best way to spend the dollars is to spread the word that people should come work for the City.
Council President Garza stated his frustration with how these funds and directive was handled.

Council Member Hussain stated that Council has fielded questions on this resolution specific to the pool funds, so after discussion with the administration they are working on that and will provide a substitute on February 12, 2024.

MOTION BY COUNCIL MEMBER HUSSAIN TO TABLE THE RESOLUTION UNTIL FEBRUARY 12, 2024.

Council Member Spadafore supported tabling the resolution, but acknowledged the amount of budget amendments the Administration are sending through.

Mr. Lawrence stated that if there are more questions before February 12th, he asked for the questions in advance. Council President Garza confirmed Council leadership has been in discussions with the Mayor and he concurred with the substitute.

MOTION CARRIED 8-0.

<u>RESOLUTION – Grant Acceptance; Transformational Affordable Housing Projects</u>
Council President Garza noted they are approving to accept but are waiting on the appropriation of the funds. They want to have a plan before appropriating.

Council Member Hussain noted there were concerns with if it was in violation of the uniform budgeting act, and Council leadership met with OCA and the Mayor and it is okay.

Mr. Smiertka stated since that discussion, there was an opinion written, which was written with the City of Detroit which has a Detroit City Charter that prevails that the City does not have here. Mr. Smiertka stated since that was determined he does not have a change with the amendments.

Mr. Brower spoke briefly on the grant funding from the State.

The proposed amendments were:

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council hereby accepts the Housing Development Fund Grant, subject to the terms of the grant agreement.

BE IT FINALLY RESOLVED that the Administration will develop a plan for the use of the grant funds and submit the plan to Lansing City Council for their review before the funds are appropriated by the Council.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE AMENDED RESOLUTION FOR THE GRANT FOR TRANSFORMATIONAL AFFORDABLE HOUSING PROJECTS.
MOTION CARRIED 8-0.

<u>DISCUSSION – Grant Acceptance; Transformational Municipal Infrastructure</u>
Mr. Brower spoke briefly on the grant funding from the State.

The proposed amendments were:

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council hereby accepts the Transformational Municipal Infrastructure Enhancement Grant, subject to the terms of the grant agreement.

BE IT FINALLY RESOLVED that the Administration will develop a plan for the use of the grant funds and submit the plan to Lansing City Council for their review before the funds are appropriated by the Council.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE AMENDED RESOLUTION FOR THE GRANT FOR TRANSFORMATIONAL MUNICIPAL INFRASTRUCTURE. MOTION CARRIED 8-0.

OTHER
No other topics.

Adjourn
The meeting adjourned at: 6:38 pm
Respectfully Submitted by,
Sherrie Boak, Recording Secretary,
Lansing City Council
Approved by the Committee

MINUTES
Committee of the Whole
Monday, February 5, 2024 @ 5:30 p.m.
City Council Conference Room

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

PRESENT
Councilmember Peter Spadafore
Councilmember Adam Hussain
Councilmember Tamera Carter
Councilmember Trini Pehlivanoglu
Councilmember Jeffrey Brown
Councilmember Ryan Kost
Councilmember Jeremy Garza
Councilmember Brian T. Jackson

OTHERS PRESENT
Sherrie Boak, Council Staff
Emily Linden, Internal Auditor
Elizabeth O'Leary, HR Director
Courtney Roberts, HR
Kyla Moore, HR
Jim Smiertka, OCA
Lisa Hagen-Lawrence, OCA
Greg Venker, OCA
Matt Staples, OCA
Joseph Abood, OCA

Public Comment
No public comment at this time.

Presentations
Human Resources Training Presentation on Workplace Harassment & Workplace Violence
Ms. O'Leary provided a brief introduction.

Ms. Roberts went through a presentation on sexual harassment identifiers, illegal employment discrimination, and reporting of both. The presentation then went onto workplace violence prevention, assessment of reported behavior and resolution.

Council President Garza asked if the "zero tolerance" has been implemented, providing an example with a Code Enforcement Manager. Ms. O'Leary stated she would not get into specifics on a situation or person, but there is "zero tolerance" and all complaints taken into consideration with bargaining agreements.

There was then a video shared.

Council Member Brown asked if all employees get the training, and if now there are more people reporting. Ms. O'Leary stated all employees are aware of policy, do receive annual training and at this time did not bring any data.

Ms. Roberts started the video on preventing harassment, and the video ran into technical issues near the end.

There were no questions on the presentation.

<u>City Attorney Office Training Presentation on Elected Official Training to City Council Members</u>
Mr. Smiertka began the presentation with Fiduciary Duties, duty of liability, duty of care, desirable conduct, forfeiture of office, removal of cause and rights of responsibilities of Council members.

Mr. Venker spoke to the Council on Ethics, but first provided a disclosure from the OCA on the training.
The City of Lansing Ethics ordinance was noted on the slide, spoke on penalties, and prohibitions. This section also spoke to the definition of "gift", what gifts should not be accepted, and then the presentation spoke to Conflicts of Interest, which noted if a conflict is raised, it will be determined by the City Council at that meeting. Regarding the Affidavit of Disclosure, Mr. Venker summarized examples of when a Council Member should file a disclosure. Lastly, Mr. Venker spoke on financial interests, and misuse of the position of City Council.
Council Member Garza asked about the $50 limit, and asked if that amount will change. Mr. Venker stated that per City ordinances that speak to dollar amounts, and several were set over 25 years ago, and it is up to the governing body to amend that, to possibly keep with inflation.
Council Member Kost asked about information provided to press, and asked for clarification on if everything Council gets is confidential. Mr. Venker stated not to assume everything, but it depends how they get it. If the only reason came into the knowledge was as a council member. If it says "diseemenate to the public", then. Council Member Carter asked if the same thing applies to social media.

Council Member Hussain stepped away at 6:30 p.m.

Mr. Venker stated again is how they receive the information.

Council Member Jackson stepped away at 6:31 p.m.

Mr. Smiertka stated if it is marked from OCA is confidential, and closed sessions are confidential. Anything at a public meeting is not.

Council Member Hussain returned to the meeting at 6:32 p.m.
Council Member Brown stepped away from the meeting at 6:32 p.m.

Mr. Abood stated if Council has any questions on if any specific information can be released, the City Attorney office is available to assist with that.

Council Member Jackson returned to the meeting at 6:33 p.m.

Ms. Hagen – Lawrence spoke on the Open Meetings Act (MCL 15.263) Included in that she spoke on public body, quorum, meeting and decision.

Council Member Brown returned to the meeting at 6:35 p.m.
Council Member Kost stepped away from the meeting at 6:35 p.m.

Council President Garza asked if Council is at an outside agency group and there are five (5) Council Members present. Ms. Hagen -Lawrence stated they cannot deliberate as members, but informational gathering of that agency.

Ms. Hagen- Lawrence moved onto the notice requirements, meeting postings, special meeting notices, rescheduled meeting posting requirement. Additional topics in this portion of the presentation spoke to public access to meetings and minutes. Regarding OMA in the era of COVID, and that was a short period of time for exceptions and those exceptions have expired.

Council Member Kost returned to the meeting at 6:40 p.m.

Regarding members of the public participating, and the OMA only applies to the public body, and Council does not have to provide virtual participation, and if they choose to they still have to offer a physical location.
Lastly Ms. Hagen-Lawrence spoke on closed sessions, emailing, texting, tweeting, posting, liking and commenting.

Council President Garza asked about group emails, and if one person did not respond are they still in violation. Ms. Hagen-Lawrence stated they would still be in violation. They should do an individual reply and then approach the City Attorney. It was also noted, that any cell phone communication during an open meeting could be subject to FOIA.
Ms. Hagen-Lawrence provided civic action examples on violations against MCL 15.270, MCL 15. 271, MCL 15. 272 and MCL 15.273.

Mr. Abood did his presentation on Human Rights Principles and Values, this included the framework, role of policy makers and deprivation of rights under 42 US Code 1983, with municipal liability. In addition to that Mr. Abood noted the City of Lansing Human Rights Ordinance and Michigan Civil Rights.

Council Member Pehlivanoglu stepped away from the meeting at 6:52 p.m.

Mr. Abood noted there are a couple harassment types that they focus on in civil rights, outlined in the presentation.

Council Member Pehlivanoglu returned to the meeting at 6:54 p.m.

Mr. Abood encouraged the Council to focus on the civil rights complaints with employees, which should go to HR as soon as possible. Council should not hold their own meetings and research because that then makes Council witnesses. Secondly, Mr. Abood noted, if Council becomes aware of a civil rights violation out side of the City structure, then those complaints go to the HRCS directly. The less involvement with City Council Mr. Abood stated is for best results. Council Member Brown stated there is a group with a civil rights complaint with HRCS, Counwould need to see what it was specifically to see what occurred.

Council Member Spadafore stepped away from the meeting at 6:58 p.m.

Mr. Abood stated they need to make sure that everything was done appropriately. Council Member Brown asked if the complaint he received to the OCA, and the complaint was to go to the HRCS but they are concerned with how HRCS is handling. Mr. Smiertka asked Council Member Brown to speak to the OCA.

Council Member Hussain stepped away from the meeting at 7:00 p.m.

Council Member Spadafore returned to the meeting at 7:01 p.m.

Mr. Abood concluded by asking everyone to follow the procedures.

Mr. Staples provided a presentation on Freedom of Information, this began with the what is considered a public record.

Council Member Jackson stepped away from the meeting at 7:05 p.m.

His presentation addressed the process, cost estimates, common exemptions, redactions, and FOIA appeal processes.

Council Member Hussain returned to the meeting at 7:06 p.m.

Mr. Staples then concluded the OCA presentation on Lansing City Charter on Officers and Elections.

Council Member Jackson returned to the meeting at 7:08 p.m.

Mr. Staples spoke on eligibility affidavit, and election do's and don'ts.

Council Member Brown stepped away at 7:15 p.m.

Council President Garza asked who is responsible for removing anything from the telephone poles and right of way. Mr. Abood stated anyone can remove, but also public service can be contacted.

Mr. Smiertka stated OCA updates and reviews annually as they prepare for this presentation.

<u>Council Internal Auditor Presentation</u>
Ms. Linden went through her presentation on what the role of internal auditor is, how she can work for all Council Members overall duties, language of the Charter, and includes her role for budget, Council expenses, audits, role on LEPFA, Claims Review Committee and on the HRCS Advisory Board.

Council Member Brown returned to the meeting at 7:23 p.m.

Ms. Linden concluded by offering her assistance on budget, constituent concerns, data analysis questions and research gathering.

<u>Adjourn</u>
The meeting adjourned at: 7:25 pm
Respectfully Submitted by,
Sherrie Boak, Recording Secretary,
Lansing City Council
Approved by the Committee

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
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December 15, 2023

To Honorable Mayor, Members of the City Council
of the City of Lansing, and Members of the Board of
Directors of the Tri-County Metro Narcotics Squad
Lansing, Michigan

We have audited the financial statements of the governmental activities and the governmental fund of Tri-County Metro Narcotics Squad for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tri-County Metro Narcotics Squad are described in Note 1 to the financial statements. As described in Note 6 to the financial statements, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements*, during the year ended June 30, 2023. The implementation of GASB Statement No. 96 did not have an impact on the financial statements. We noted no transactions entered into by the Tri-County Metro Narcotics Squad during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates for the year ended June 30, 2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Tri-County Metro Narcotics Squad's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Tri-County Metro Narcotics Squad's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of City Council, the Board of Directors of the Tri-County Metro Narcotics Squad, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

TRI-COUNTY METRO NARCOTICS SQUAD
LANSING, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2023

Maner
Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Members of the City Council
of the City of Lansing, and Members of the Board of
Directors of the Tri-County Metro Narcotics Squad
Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Tri-County Metro Narcotics Squad ("Tri-County Metro"), a special revenue fund of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Tri-County Metro's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of the Tri-County Metro Narcotics Squad, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tri-County Metro Narcotics Squad and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements referred to above present only the Tri-County Metro Narcotics Squad and do not purport to, and do not, present fairly the financial position of the City of Lansing, Michigan, as of June 30, 2023, and the changes in its financial position, or where applicable, its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-County Metro Narcotics Squad's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Metro's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-County Metro's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Tri-County Metro has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of Tri-County Metro Narcotics Squad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tri-County Metro Narcotics Squad's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-County Metro Narcotics Squad's internal control over financial reporting and compliance.

Maner Costerisan PC

December 15, 2023

BASIC FINANCIAL STATEMENTS

TRI-COUNTY METRO NARCOTICS SQUAD
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS		
Cash and cash equivalents	$	572,270
Due from other governments		118,778
Capital assets, net of accumulated depreciation		26,500
TOTAL ASSETS		717,548
LIABILITIES		
Accounts payable		34,420
Accrued payroll		2,832
Due to other governments		358,666
Undistributed forfeitures		30,668
TOTAL LIABILITIES		426,586
NET POSITION		
Investment in capital assets		26,500
Restricted for public safety		264,462
TOTAL NET POSITION	$	290,962

See accompanying notes to financial statements.

TRI-COUNTY METRO NARCOTICS SQUAD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental activities				
Public safety	$ 664,410	$ 677,193	$ -	$ 12,783
General revenues				
Interest				8,160
Change in net position				20,943
Net position, beginning of the year				270,019
Net position, end of the year				$ 290,962

See accompanying notes to financial statements.

TRI-COUNTY METRO NARCOTICS SQUAD
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023

ASSETS		
Cash and cash equivalents	$	572,270
Due from other governments		118,778
TOTAL ASSETS	$	691,048
LIABILITIES		
Accounts payable	$	34,420
Accrued payroll		2,832
Due to other governments		358,666
Undistributed forfeitures		30,668
TOTAL LIABILITIES		426,586
FUND BALANCE		
Restricted for public safety		264,462
TOTAL LIABILITIES AND FUND BALANCE	$	691,048

See accompanying notes to financial statements.

TRI-COUNTY METRO NARCOTICS SQUAD
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - governmental fund		$ 264,462
Amounts reported for the government activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
The cost of capital assets is	$ 91,970	
Accumulated depreciation is	(65,470)	
Capital assets, net		26,500
Net position of governmental activities		$ 290,962

See accompanying notes to financial statements.

TRI-COUNTY METRO NARCOTICS SQUAD
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023

REVENUES	
Intergovernmental	$ 499,744
Forfeitures	177,449
Interest	8,160
TOTAL REVENUES	685,353
EXPENDITURES	
Current	
Public safety	658,077
NET CHANGE IN FUND BALANCE	27,276
Fund balance, beginning of year	237,186
Fund balance, end of year	$ 264,462

See accompanying notes to financial statements.

TRI-COUNTY METRO NARCOTICS SQUAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balance - governmental fund	$	27,276
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense		(6,333)
Change in net position of governmental activities	$	20,943

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-County Metro Narcotics Squad ("Tri-County Metro") is a special revenue fund of the City of Lansing, Michigan. The financial statements of Tri-County Metro have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of Tri-County Metro's accounting policies are described below.

Reporting Entity

Tri-County Metro was formed under an interlocal agreement with participation from the City of Lansing, City of East Lansing, Ingham, Eaton, and Clinton Counties and the Michigan Department of State Police. This task force was formed pursuant to the Urban Cooperation Act of 1967 and is governed by a command board made up of member-designated representatives. The operations of Tri-County Metro are accounted for by the City of Lansing as part of its nonmajor governmental funds.

The purpose of Tri-County Metro is to establish a cooperative law enforcement force assembled for the purpose of enforcing narcotics and other controlled substances laws.

The accompanying financial statements present the financial position and results of operations of Tri-County Metro. They do not purport to, and do not present fairly, the net position of the City of Lansing, Michigan and changes in its net position or cash flows in conformity with accounting principles generally accepted in the United States of America. Tri-County Metro has no blended or discretely presented component units and is not itself, a component unit of any other government.

Operations

Tri-County Metro's primary revenue sources are forfeitures, grants and local contributions. These sources provide funding for goods and services which include supply and equipment purchases, office, and vehicle rents and contractual services including payment for contract labor. Tri-County Metro has no direct employees.

Basis of Presentation

Separate financial statements are provided for governmental funds and proprietary funds, when applicable. The individual governmental fund is reported as a separate column in the fund financial statements. Tri-County Metro does not have any proprietary funds.

Governmental Fund

This fund is used to account for all financial transactions including all financial resources and general operating expenditures.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of Tri-County Metro. Governmental activities are mainly supported by forfeitures and intergovernmental revenues.

TRI-COUNTY METRO NARCOTICS SQUAD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, forfeit to, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (the statement of net position and statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within three months of the end of the current fiscal period, or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Charges for services, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, and amounts held by the City of Lansing for the benefit of Tri-County Metro.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements (statement of net position). Capital assets are defined by Tri-County Metro as assets with an initial, individual cost of more than $5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded over the estimated useful lives (six years for equipment) of the assets, using the straight-line method for all capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify, or rescind a fund balance commitment. The government reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Tri- County Metro currently has no committed or assigned fund balance.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Budgetary Process

Tri-County Metro is under formal budgetary control. Formal budget integration is employed as a management control device during the year. Tri-County Metro's budget is provided to the Tri-County Metro Narcotics Squad Board after approval by City Council of the City of Lansing to confirm in accordance with Public Act 2 of 1968, as amended by Public Act 621, the Michigan Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The budget, as presented in the accompanying statement of revenues, expenditures, and changes in fund balance, was prepared on the modified accrual basis of accounting.

Public Act 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

NOTE 2 - DEPOSITS

Tri-County Metro's cash and cash equivalents included on the statement of net position and governmental fund balance sheet are classified as follows:

Imprest Cash	$ 25,000
Equity in pooled cash of the City of Lansing, Michigan	547,270
Total	$ 572,270

Deposits and Investments

State of Michigan statutes authorize Tri-County Metro to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptance of U.S. banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

NOTE 2 - DEPOSITS (continued)

Deposits and Investments (continued)

The above cash and cash equivalents are held by the City of Lansing, Michigan (the fiscal agent of Tri-County Metro). Specific deposit and investment accounts are not held in the name of Tri-County Metro but are pooled with all deposits of the City. The amount of federal depositary insurance and custodial credit risk of investments is determined for the City of Lansing, Michigan as a whole, and cannot be separately identified for Tri-County Metro.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Equipment	$ 91,970	$ -	$ -	$ 91,970
Less accumulated depreciation	(59,137)	(6,333)	-	(65,470)
Capital assets, net	$ 32,833	$ (6,333)	$ -	$ 26,500

NOTE 4 - RISK MANAGEMENT

Tri-County Metro, a special revenue fund of the City of Lansing, is exposed to various risks of loss that are covered by the City's policies, including losses related to issues of cyber security, liability, errors and omissions, flood, boiler and machinery, property, employee bonding, auto, crime, ERISA considerations, and workers' compensation. City representatives in Tri-County Metro are covered through the City's insurance policies. The City carries commercial insurance to cover these risks. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage during the past three years.

NOTE 5 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Tri-County Metro is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, Tri-County Metro implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

There was no material impact on Tri-County Metro's financial statements after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY METRO NARCOTICS SQUAD
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 425,000	$ 425,000	$ 499,744	$ 74,744
Forfeitures	268,000	268,000	177,449	(90,551)
Interest	8,000	8,000	8,160	160
TOTAL REVENUES	701,000	701,000	685,353	(15,647)
EXPENDITURES				
Current				
Public safety	701,000	701,000	658,077	42,923
NET CHANGE IN FUND BALANCE	-	-	27,276	27,276
Fund balance, beginning of year	237,186	237,186	237,186	-
Fund balance, end of year	$ 237,186	$ 237,186	$ 264,462	$ 27,276

Maner Costerisan

2425 E. Grand River Ave.,
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor, Members of the City Council
of the City of Lansing, and Members of the Board of
Directors of the Tri-County Metro Narcotics Squad
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the governmental fund of the Tri-County Metro Narcotics Squad ("Tri-County Metro"), a special revenue fund of the City of Lansing, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Tri-County Metro's basic financial statements and have issued our report thereon dated December 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tri-County Metro's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tri-County Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tri-County Metro's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Metro's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costerisan PC

December 15, 2023

CITY OF LANSING

INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Date: February 12, 2024

To: Lansing City Council

From: Emily Linden, Internal Auditor

Subject: Tri-County Metro Audit – Year End June, 30 2023

Overview

- Fund balance, beginning of year: $237,186
- Fund balance, end of year: $264,462
- Net Change in Fund Balance: $27,276

Notes

- Amounts reported for governmental activities in the statement of activities are different because Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Audit Findings

- There were no significant audit findings in this report.

Maner Costerisan

2425 E. Grand River Ave.,
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December 8, 2023

To the Honorable Mayor, Members of the City Council,
and Members of the Board of Commissioners of the
Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

We have audited the financial statements of the business-type activities and each major fund of the Lansing Entertainment and Public Facilities Authority (the Authority), a discretely presented component unit of the City of Lansing, Michigan, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lansing Entertainment and Public Facilities Authority are described in Note 1 to the financial statements. As noted in Note 13 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements,* during the year ended June 30, 2023. The implementation of GASB Statement No. 96 did not have an impact on the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.
>
> Management's calculation of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimations in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements that were detected as a result of audit procedures. The misstatements that were corrected by management related to various year-end accrual adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

<u>Restriction on Use</u>

This information is intended solely for the use of the City Council, the Board of Commissioners, and management of the Lansing Entertainment and Public Facilities Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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Maner Costerisan

2425 E. Grand River Ave.,
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Members of the City Council, and
Members of the Board of Commissioners of the
Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Lansing Entertainment and Public Facilities Authority (the Authority), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lansing Entertainment and Public Facilities Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position of the City of Lansing, Michigan, as of June 30, 2023, and the changes in its financial position, or where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Maner Costerisan PC

December 8, 2023

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lansing Entertainment and Public Facilities Authority (the "Authority") we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023.

Financial Highlights

Total net position	$ 2,986,599
Change in total net position	1,275,986

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of:

- The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- The *statement of revenues, expenses, and changes in net position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

- The *statement of cash flows* presents the change in the Authority's cash and cash equivalents for the most recent fiscal year.

- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $2,986,599 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (95.9%) is its unrestricted net position which may be used to meet the Authority's ongoing obligations to system users and creditors.

Another portion of net position (2.7%) is restricted by contractual agreement to maintain in an event development cash reserve for Jackson Field to provide a source of monies from which to finance events at the Jackson Field.

The remaining portion of the net position (1.4%) is its investment in capital assets (e.g., machinery and equipment, and right to use assets); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services; consequently, these assets are *not* available for future spending.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The Lansing Center, Jackson Field, Groesbeck Golf Course and Center Park Productions reported a net position of $1,973,709, $183,433, $681,979 and $147,478, respectively.

	Net Position	
	2023	2022
Assets		
Current and other assets	$ 5,282,749	$ 3,302,209
Capital assets, net	62,509	86,948
Total assets	5,345,258	3,389,157
Current liabilities	2,358,659	1,657,979
Non-Current Liabilities	-	20,565
Total Liabilities	2,358,659	1,678,544
Net Position		
Net investment in capital assets	41,944	25,864
Restricted	80,000	80,000
Unrestricted	2,864,655	1,604,749
Total net position	$ 2,986,599	$ 1,710,613

	Change in Net Position	
	2023	2022
Operating revenues	$ 6,503,225	$ 5,428,872
Operating expenses	8,774,515	6,485,452
Operating loss	(2,271,290)	(1,056,580)
Nonoperating revenues	3,547,276	2,219,763
Change in net position	1,275,986	1,163,183
Net position, beginning of year	1,710,613	547,430
Net position, end of year	$ 2,986,599	$ 1,710,613

The Authority's net position increased by $1,710,613 for fiscal year 2023, compared to an increase of $547,430 for fiscal year 2022. Key elements of the 2023 increase include:

- Revenues of the Authority increased overall; however, the Lansing Center and Groesbeck Golf Course saw increases in revenues due to the increase ability to host activities due to the removal of restriction from the pandemic. Jackson Field returned to normal operating conditions but saw significant increases in operating expenses due to restrictions in funding to maintain the facility during the pandemic. Deferred maintenance at all facilities caused additional increases in maintenance expenses. The return to events at all properties created increases in staffing and expense for hiring and training staff increased as well. Grant funds help sustain operations while revenues increased. Continued concerns over the inflation and challenges associated with expenses (healthcare costs, labor costs, food costs, utilities, etc.) rising and still being able to maintain competitively in the industry while trying hard to provide a good product. Concerns over the overall conditions of the Lansing Center, Jackson Field, and Groesbeck Golf Course still exist and funding is desperately needed to stay up to industry standards and competitive for business.

Capital Assets

The Authority's investment in capital assets as of June 30, 2023 amounted to $62,509 (net of accumulated depreciation). Total net capital assets decreased by $24,439. The decrease is due to depreciation expense in the current year net with additions related to machinery and equipment.

	Balance June 30, 2022	Net Additions/ Deletions	Balance June 30, 2023
Capital assets being depreciated/amortized			
Machinery and equipment	$ 1,378,952	$ 25,550	$ 1,404,502
Right to use - machinery and equipment	101,308	-	101,308
Total assets being depreciated/amortized	1,480,260	25,550	1,505,810
Less accumulated depreciation/amortization			
Machinery and equipment	(1,351,873)	(8,550)	(1,360,423)
Right to use - machinery and equipment	(41,439)	(41,439)	(82,878)
Total accumulated depreciation/amortization	(1,393,312)	(49,989)	(1,443,301)
Capital assets, net	$ 86,948	$ (24,439)	$ 62,509

Additional information on the Authority's capital assets can be found in Note 5 of this report.

Long-term Obligations

	Balance July 1, 2022	Net Additions/ Deletions	Balance June 30, 2023
Governmental Activities			
Direct borrowings and direct placements	$ 61,084	$ (40,519)	$ 20,565

Additional information on the Authority's long-term obligation can be found in Note 7 of this report.

Economic Factors Affecting Next Year's Operations

The Authority is still concerned about several economic factors for all LEPFA managed properties heading into FY 2023-24. Consumer spending is concerning due to uncertainty of the economy and inflation. Continued increases to expenses at the Authority include costs of good, labor, utilities, and employee benefits. Supply chain issues and staffing shortages continue to be a concern heading into this fiscal year.

The Authority does believe that events will continue to be held and plans to focus on strategic plans that involve growth and investment in the facilities, events, and staff. There is a strong schedule of activity at all properties, and we are focused on overcoming the challenges with staffing and increased costs. Supply chain issues continue to be monitored and are expected to impact pricing and availability of food and beverage product offerings to our clients. There is a focus on evolving foodservice operations to help offset some of these challenges while still delivering great service to our customers.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lansing Entertainment and Public Facilities Authority, 333 E. Michigan Avenue, Lansing, Michigan 48933.

BASIC FINANCIAL STATEMENTS

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Lansing Center	Jackson Field	Groesbeck Golf Course	Center Park Productions	Total Business-Type Activities
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,160,567	$ 158,791	$ 1,154,932	$ 21,164	$ 2,495,454
Cash and cash equivalents - restricted	-	80,000	-	-	80,000
Receivables, net	1,736,803	217,059	1,701	115,157	2,070,720
Due from other funds	516,337	-	-	-	516,337
Prepaid items	12,078	3,807	9,008	12,063	36,956
Inventory	73,253	-	10,029	-	83,282
Total Current Assets	3,499,038	459,657	1,175,670	148,384	5,282,749
Noncurrent Assets					
Capital assets, net	7,326	25,008	30,175	-	62,509
TOTAL ASSETS	3,506,364	484,665	1,205,845	148,384	5,345,258
LIABILITIES					
Current Liabilities					
Accounts payable	594,687	178,836	38,447	906	812,876
Accrued liabilities	463,475	719	4,306	-	468,500
Due to other funds	-	121,677	394,660	-	516,337
Current portion of long-term obligations	-	-	20,565	-	20,565
Unearned revenue	474,493	-	65,888	-	540,381
TOTAL LIABILITIES	1,532,655	301,232	523,866	906	2,358,659
NET POSITION					
Net investment in capital assets	7,326	25,008	9,610	-	41,944
Restricted for Jackson Field events	-	80,000	-	-	80,000
Unrestricted	1,966,383	78,425	672,369	147,478	2,864,655
TOTAL NET POSITION	$ 1,973,709	$ 183,433	$ 681,979	$ 147,478	$ 2,986,599

See accompanying notes to financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Lansing Center	Jackson Field	Groesbeck Golf Course	Center Park Productions	Total Business-Type Activities
OPERATING REVENUES					
Building rental	$ 948,728	$ -	$ -	$ -	$ 948,728
Security	48,556	-	-	-	48,556
Food services	2,626,889	-	125,217	-	2,752,106
Equipment rental	1,105,838	-	225,062	-	1,330,900
Box office	23,157	-	-	-	23,157
Labor/service	342,465	-	-	-	342,465
Trade show utilities	90,005	-	-	-	90,005
Greens fees	-	-	559,384	-	559,384
Sponsorships	220,761	-	-	-	220,761
Other	139,987	17,842	29,334	-	187,163
TOTAL OPERATING REVENUES	5,546,386	17,842	938,997	-	6,503,225
OPERATING EXPENSES					
Personnel services	2,358,751	161,909	631,780	-	3,152,440
Food and beverage	1,329,848	-	89,075	-	1,418,923
Communications	18,226	11,752	13,877	-	43,855
Rents	49,534	-	41,427	-	90,961
Professional services	917,518	21,698	14,045	-	953,261
Utilities	995,259	137,113	25,587	-	1,157,959
Marketing	129,739	-	21,754	-	151,493
Repairs and maintenance	114,356	69,832	101,125	-	285,313
Supplies and materials	104,608	19,840	100,154	-	224,602
Insurance	69,544	28,443	12,791	-	110,778
Events	824,569	-	-	-	824,569
Security	19,478	-	-	-	19,478
Depreciation/amortization	862	542	48,585	-	49,989
Bad debt expense	-	-	-	111,961	111,961
Other	156,235	22,326	-	372	178,933
TOTAL OPERATING EXPENSES	7,088,527	473,455	1,100,200	112,333	8,774,515
OPERATING (LOSS)	(1,542,141)	(455,613)	(161,203)	(112,333)	(2,271,290)
NONOPERATING REVENUES					
Annual operating subsidy - City of Lansing	1,969,000	606,000	96,000	-	2,671,000
Pass-through of hotel/motel tax collections from Greater Lansing Convention and Visitors Bureau	876,276	-	-	-	876,276
TOTAL NONOPERATING REVENUES	2,845,276	606,000	96,000	-	3,547,276
CHANGE IN NET POSITION	1,303,135	150,387	(65,203)	(112,333)	1,275,986
Net Position, beginning of year	670,574	33,046	747,182	259,811	1,710,613
Net Position, end of year	$ 1,973,709	$ 183,433	$ 681,979	$ 147,478	$ 2,986,599

See accompanying notes to financial statements.

LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	Lansing Center	Jackson Field	Groesbeck Golf Course	Center Park Productions	Total Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	$ 4,646,053	$ 103,013	$ 933,196	$ 111,961	$ 5,794,223
Cash payments for goods and services	(4,328,266)	(634,440)	(405,867)	(112,333)	(5,480,906)
Cash payments to employees	(2,292,538)	(161,909)	(633,235)	-	(3,087,682)
Cash receipts (payments) for interfund services	(351,318)	90,193	261,125	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,326,069)	(603,143)	155,219	(372)	(2,774,365)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash transfers from the City of Lansing	1,969,000	606,000	96,000	-	2,671,000
Cash transfers from the Convention and Visitors Bureau	876,276	-	-	-	876,276
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,845,276	606,000	96,000	-	3,547,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments related to lease payable	-	-	(40,519)	-	(40,519)
Payments for acquisition of capital assets	-	(25,550)	-	-	(25,550)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(25,550)	(40,519)	-	(66,069)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	519,207	(22,693)	210,700	(372)	706,842
Cash and cash equivalents, beginning of year	641,360	261,484	944,232	21,536	1,868,612
Cash and cash equivalents, end of year	$ 1,160,567	$ 238,791	$ 1,154,932	$ 21,164	$ 2,575,454
Reconciliation of operating loss to net cash provided (used) by operating activities					
Operating loss	$ (1,542,141)	$ (455,613)	$ (161,203)	$ (112,333)	(2,271,290)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation/amortization	862	542	48,585	-	49,989
(Increase)/decrease in:					
Accounts receivable	(987,047)	(75,329)	(40)	111,961	(950,455)
Due from other funds	(344,571)	6,747	-	-	(337,824)
Prepaid items	20,658	3,838	1,146	-	25,642
Inventory	(12,681)	-	1,620	-	(11,061)
Increase/(decrease) in:					
Accounts payable	392,671	(166,774)	11,202	-	237,099
Accrued liabilities	66,213	-	(1,455)	-	64,758
Due to other funds	(6,747)	83,446	261,125	-	337,824
Unearned revenue	86,714	-	(5,761)	-	80,953
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (2,326,069)	$ (603,143)	$ 155,219	$ (372)	$ (2,774,365)

See accompanying notes to financial statements.

NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lansing Entertainment and Public Facilities Authority (the "Authority") was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority. The Authority was established to oversee the management and operations of the Lansing Center, Jackson Field, and Groesbeck Golf Course under an agreement with the City of Lansing.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City of Lansing. The Authority's Board of Commissioners consists of nine members appointed by the Mayor of the City of Lansing and approved by the City Council, and three ex-officio members.

Center Park Productions, a not-for-profit entity, was organized to perform activities in support and furtherance of the purposes of its sole member, Lansing Entertainment and Public Facilities Authority, and is therefore reported as a blended component unit of the Authority. The Entity's Board of Directors consists of six members appointed by the Board of Directors of the Authority. Center Park Productions is presented in the accompanying financial statements on its fiscal year end of December 31.

The accompanying financial statements present the financial position and results of operations of the Authority. They do not purport to, and do not present fairly, the net position of the City of Lansing, Michigan and changes in its net position or cash flows in conformity with accounting principles generally accepted in the United States of America. The Authority is a discretely presented component unit of the City of Lansing.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements present the Authority's individual major funds. The major individual enterprise funds are reported as separate columns in the financial statements. The Authority reports the Lansing Center, Jackson Field, Groesbeck Golf Course, and Center Park Productions enterprise funds as major funds. Each fund accounts for the activities of its respective facility/event.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for facility rentals, sales, and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Also with this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the Statement of Net Position. Fund equity (i.e., net position) is segregated into net investment in capital assets, restricted, and unrestricted components.

NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Equity

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). Other receivables, generated in the normal course of providing services to customers, are shown net of doubtful accounts where applicable. Payables are related to amounts due and payable at year-end for liabilities incurred and paid for subsequent to year-end.

Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are limited to equipment and right to use assets. Equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Right to use assets of the Authority are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives, which is three years. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $500 and an estimated useful life of three years. Facilities managed by the Authority are owned by the City of Lansing and, as such, the carrying values of these properties are reflected in the City's financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure for allowable costs. Unearned revenue also consists of funds received from state government for a grant where funds were received but expenditures were not allocated in order to recognize the full amount of grant funds received.

Cash and Cash Equivalent Reserves

Under the terms of the Authority's operating agreement with the City of Lansing, the Authority is required to restrict $50,000 annually for capital improvements and/or replacements. Any such monies unexpended shall be carried forward to future years. For the year ended June 30, 2023, all such restricted monies were expended on capital improvements, leaving a zero balance in restricted assets for capital improvements at year end.

NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Equity (continued)

Cash and Cash Equivalent Reserves (continued)

Under an amendment to the operating agreement with the City of Lansing, the Authority is also required to maintain an event development cash reserve fund for Jackson Field to provide a source of monies from which to finance events at the Jackson Field. The fund was established by an initial contribution from the City and may be increased up to certain limits by the amount of any profits earned from such events. Restricted assets for event development amounted to $80,000 at June 30, 2023. An equal amount of net position is reported as restricted on the statement of net position.

The Authority's Board of Commissioners has also established a cash reserve account to ensure reasonable liquidity for Lansing Center operations. The balance of this cash reserve as of June 30, 2023 was $605,764 and has been formally set aside by the Board of Commissioners as designated for the above purpose. Generally, the reserve is intended to provide up to 60 days of operating cash (which would be approximately $860,000 under normal operating conditions if fully funded). The account is adjusted annually for the prior year operating results.

Leases

Lessee: The Authority is a lessee for noncancelable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the statement of net position. The Authority recognizes lease liabilities with an initial, individual value that it considers significant to the statement of net position, or with annual lease payments that are considered significant to the fund in which they are accounted for.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the leased asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures more than 270 days after the date of purchase.

d. The United States government or Federal agency obligations repurchase agreements.

e. Bankers acceptances of United States Banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

A reconciliation of cash and cash equivalents as shown on the statement of net position follows:

Statement of net position	
Cash and cash equivalents	$ 2,495,454
Cash and cash equivalents - restricted	80,000
Total	$ 2,575,454
Deposits	
Bank deposits - checking and savings accounts	$ 2,556,570
Cash on hand	18,884
Total	$ 2,575,454

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. As of year end, $2,438,004 of the Authority's bank balance of $2,688,004 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - TRANSACTIONS WITH THE CITY OF LANSING

For the year ended June 30, 2023, the City of Lansing provided annual operating subsidies to the Authority in the amount of $2,671,000 for the Lansing Center, Jackson Field, and Groesbeck Golf Course Funds.

NOTE 4 - RECEIVABLES

Receivables are composed entirely of amounts due from customers (net of an allowance for doubtful accounts in the amount of $25,280) and due from other governmental units. Accounts receivable as of June 30, 2023, were as follows:

Accounts receivable, net	$ 1,839,107
Accounts receivable - Due from other governmental units	231,613
Total receivables	$ 2,070,720

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated/amortized				
Machinery and equipment	$ 1,378,952	$ 25,550	$ -	$ 1,404,502
Right to use - machinery and equipment	101,308	-	-	101,308
Total assets being depreciated/amortized	1,480,260	25,550	-	1,505,810
Less accumulated depreciation/amortization				
Machinery and equipment	(1,351,873)	(8,550)	-	(1,360,423)
Right to use - machinery and equipment	(41,439)	(41,439)	-	(82,878)
Total accumulated depreciation/amortization	(1,393,312)	(49,989)	-	(1,443,301)
Capital assets, net	$ 86,948	$ (24,439)	$ -	$ 62,509

NOTE 6 - PAYABLES

Accounts payable is composed entirely of amounts due to vendors. Accrued liabilities include wages payable, payroll taxes payable, insurance payable and benefits payable.

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Business-type Activities					
Direct borrowings and direct placements	$ 61,084	$ -	$ (40,519)	$ 20,565	$ 20,565

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2023 are comprised of the following issues:

Direct Borrowing and Direct Placement	
$96,614 Golf Car lease dated April 2021, due in annual installments of $19,612 through October 2023, with imputed interest of 2.00%, payable bi-monthly six times per year.	$ 19,612
$4,694 Golf Car lease dated April 2021, due in annual installments of $953 through October 2023, with imputed interest of 2.00%, payable bi-monthly six times per year.	953
	$ 20,565

The Authority's outstanding notes from direct borrowings and direct placements related to business-type activities of $20,565 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding, including interest of $154 as of June 30, 2023, are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements Principal	Interest
2024	$ 20,565	$ 154

NOTE 8 - INTERFUNDS

Short-term interfund receivables and payables are considered due to and due from other funds. These amounts due from and to other funds at year-end are as follows:

	Due From Other Funds	Due To Other Funds
Lansing Center Fund	$ 516,337	$ -
Jackson Field Fund	-	121,677
Groesbeck Golf Course Fund	-	394,660
	$ 516,337	$ 516,337

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Authority has a defined contribution pension plan covering substantially all full-time employees who have completed 120 days of employment. The Authority contributes 12% of participating employees' annual compensation to the plan. Effective January 1, 2003, employees are required to contribute 7.5% of covered wages as defined in the plan; prior to that date, no employee contributions to this plan were required. Such current employee contributions are in lieu of federal social security participation. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Commissioners. Employee contributions for the year ended June 30, 2023 were $309,232. Employer contributions for the year ended June 30, 2023 were $216,096. At June 30, 2023, there were 42 employees participating in the plan.

NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks of loss including losses related to issues of cyber security, liability, liquor liability, flood, inland marine, directors and officers liability, property, employee bonding, auto, crime, and worker' compensation which is covered through the Authority's insurance policies. The Authority carries commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage during the past three years.

NOTE 11 - SUBSEQUENT EVENT

In July 2023, the Authority received a $6.5 million grant from the State of Michigan intended to be used for upgrades to the Authority's facilities with $5 million of the grant to be allocated to facility upgrades at the Lansing Center and $1.5 million being allocated to facility upgrades at Jackson Field.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

There was no material impact on the opening balances of the Authority's financial statement after the adoption of GASB Statement No. 96.

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor, Members of the City Council, and
Members of the Board of Commissioners of the
Lansing Entertainment and Public Facilities Authority
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Lansing Entertainment and Public Facilities Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lansing Entertainment and Public Facilities Authority's basic financial statements and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described below as items 2023-001 and 2023-002 to be material weaknesses.

2023-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly adjust a significant number of statement of net position and statement of revenues, expenses and changes in net position accounts were proposed by the auditors. These entries were either prepared by the auditors and provided to management, who agreed to them and were subsequently recorded in the Authority's general ledger or was brought to the attention of management that an entry was needed.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the recording of all appropriate journal entries so that the trial balances, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: These misstatements were not identified as part of the Authority's internal control procedures.

Effect: Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the Authority take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Authority strives to perform necessary material journal entry adjustments prior to fiscal year end. The Authority will work to establish a policy to assure all material journal entries are recorded prior to the commencement of audit procedures in future years.

2023-002 TIMLINESS OF BANK RECONCILIATIONS AND LACK OF REVIEW

Condition: During our analysis of cash, we noted the Authority does not require any documented review and approval for completed bank reconciliations. In addition to a lack of review, the bank reconciliations were not completed in a timely manner after month end close.

Criteria: The reconciliation process is an important part of the Authority's internal control and accounting procedures. The purpose of reconciliations is to ensure that general ledger account balances are supported by underlying transaction detail or third-party information. They also provide an important internal control, in that any differences identified between the underlying detail and an account balance through the reconciliation process may be indicative of an erroneous entry having been posted or inappropriate activity within the account.

Cause: The Authority does not have a procedure in place requiring documented review and approval for completed bank reconciliations or required timeliness of completion.

Effect: Without timely reconciliations and written evidence of review procedures being completed, there is an increased risk of a misstatement of assets due to error or fraud which could go undetected.

Recommendation: We recommend that the Authority implement a process in which the bank reconciliation are reviewed by at least one individual other than the preparer to ensure that the proper reconciliation between the bank statements and the general ledger are performed within 30 days of month end.

Corrective Action Response: The Authority has put in place appropriate systems to assure bank reconciliations are performed in a timely fashion on a monthly basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as 2023-003 to be a significant deficiency.

2023-003 CREDIT CARD ACTIVITY REVIEW AND BACKUP

Condition: During our testing of the credit card controls, we noted instances in which the Authority's internal controls were not followed in practice. Specifically, during our review of credit card purchases, we noted instances where supporting receipt documents were not retained and credit card statements that were not reviewed by a reasonable member of management.

Criteria: Management has established control procedures over credit card purchases. These controls limit credit card usage to management personnel only. Further, these controls require all original receipts to be retained and submitted and statements reviewed by a reasonable member of management.

Cause: The established control procedures were not followed.

Effect: The Authority is at greater risk of potential fraud if formally adopted internal control procedures are not followed.

Recommendation: We recommend that the Authority take steps to ensure internal controls related to credit card use are followed.

Corrective Action Response: The Authority has put in place appropriate systems to assure credit card statement review is performed in a timely fashion on a monthly basis.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described above. The authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

December 8, 2023

CITY OF LANSING

INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Date: February 12, 2024

To: Lansing City Council

From: Emily Linden, Internal Auditor

Subject: LEPFA Audit – Year End June, 30 2023

Overview

- Total net position: $2,986,599
- Change in total net position: $1,387,947

Notes – Economic Factors

- Post-pandemic attendance at events has been erratic due to concerns over continued safety.
- Additionally, consumer spending is concerning due to uncertainty of the economy and inflation. Continued increases to expenses at the Authority include costs of good, labor, utilities, and employee benefits. Supply chain issues and staffing shortages continue to be a concern heading into this fiscal year.

Audit Findings

- 2023-001 Material Journal Entries Proposed by Auditors
    - Condition: Material journal entries to properly adjust a significant number of balance sheet and income statement accounts were proposed by the auditors. These entries were either prepared by the auditors and provided to management, who agreed to them and were subsequently recorded in the Authority's general ledger or was brought to the attention of management that an entry was needed.

- 2023-002 Timeliness of Bank Reconciliations and Lack of Review
    - During our analysis of cash, we noted the Authority does not require any documented review and approval for completed bank reconciliations. In addition to a lack of review, the bank reconciliations were not completed in a timely manner after month end close.

- 2023-003 Credit Card Activity Review and Backup
    - During our testing of the credit card controls we noted instances in which the Authority's internal controls were not followed in practice. Specifically, during our review of credit card purchases, we noted instances where supporting receipt documents were not retained and credit card statements that were not reviewed by a reasonable member of management.

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December 15, 2023

The Honorable Mayor, Members of the City Council of the
City of Lansing, and Members of the Board of Directors
of the Lansing Brownfield Redevelopment Authority
Lansing, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Lansing Brownfield Redevelopment Authority (the Authority), a discretely presented component unit of the City of Lansing, Michigan, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to City Council dated October 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lansing Brownfield Redevelopment Authority are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements*, during the year ended June 30, 2023. The implementation of GASB Statement No. 96 did not have an impact on the financial statements. We noted no transactions entered into by the Lansing Brownfield Redevelopment Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> The Authority it party to loan agreements in which the associated loans are expected to be repaid by future collections of tax increment revenues related to the properties being redeveloped. Because of the uncertainty of future tax captures, management has estimated the collectability of such receivables to be zero and, therefore, no balance is reported in either the government-wide or fund financial statements.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements that were detected as a result of audit procedures. The misstatements that were corrected by management related to various year-end accrual adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of City Council, the Board of Directors, and management of the City and the Lansing Brownfield Redevelopment Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Members of the City Council,
and Members of the Board of Directors of the
Lansing Brownfield Redevelopment Authority
Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lansing Brownfield Redevelopment Authority (the "Authority"), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of the Lansing Brownfield Redevelopment Authority, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lansing Brownfield Redevelopment Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements present only the Lansing Brownfield Redevelopment Authority and do not purport to, and do not present fairly the financial position of the City of Lansing, Michigan, as of June 30, 2023, and the changes in its financial position, or when applicable, its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2023, on our consideration of the Lansing Brownfield Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maner Costerisan PC

December 15, 2023

The Lansing Brownfield Redevelopment Authority (the "Authority") was established by the City of Lansing (the "City") on August 17, 1997, pursuant to Public Act 381 of 1996. The Authority presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2023.

Using this Annual Report

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year.
- The *governmental fund balance sheet* presents information on the Authority's assets, liabilities, and deferred inflows of resources, with the residual reported as fund balance.
- The *statement of revenues, expenditures, and change in fund balance - general fund* presents information showing the Authority's actual revenues and expenditures for the most recent fiscal year on the fund level perspective.
- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Statements. The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown in the table below, the Authority's liabilities exceeded assets by $32.8 million at the end of the fiscal year.

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	$ 10,694,881	$ 20,966,927
Liabilities		
Other liabilities	5,645,863	12,065,494
Noncurrent liabilities	38,038,001	39,457,798
Total liabilities	43,683,864	51,523,292
Net Position (deficit)		
Restricted	2,312,115	3,791,897
Unrestricted (deficit)	(35,301,098)	(34,348,262)
Total net position (deficit)	$ (32,988,983)	$ (30,556,365)

	Governmental Activities	
	2023	2022
Revenues		
Program revenue		
Operating grants and contributions	$ -	$ 194,444
General revenues		
Property taxes	8,793,323	7,585,284
Investment earnings	233,331	7,926
Total revenues	9,026,654	7,787,654
Expenses		
Community and economic development	9,994,429	16,754,400
Interest and fees on long-term debt	1,464,843	672,656
Total expenses	11,459,272	17,427,056
Change in net position	(2,432,618)	(9,639,402)
Net position (deficit), beginning of year	(30,556,365)	(20,916,963)
Net position (deficit), end of year	$ (32,988,983)	$ (30,556,365)

When comparing the current fiscal year to the previous fiscal year, net position has decreased by approximately $2.4 million, as compared to a decrease of approximately $9.6 million in the prior year. The primary reason for this increase is disbursements related to the Red Cedar project that was funded by bond proceeds that commenced in the prior year. Since the bond proceeds were reported in the statement of net position as a liability, there was not a revenue reported to offset the expenses related to redevelopment projects that are not capitalizable by the Authority.

Property tax revenues increased, and redevelopment expenses decreased for the year ended June 30, 2023 due to an increase in amounts captured related to project plans that were initiated during the year, as well as continued capture on previously existing plans. Decrease in redevelopment plans is due to large projects in the prior year are winding down in the current year.

General Fund Financial Analysis

At the end of the current fiscal year, the Authority's governmental fund (the general fund) reported an ending fund balance of approximately $6.3 million, a decrease of approximately $2.8 million in comparison to the prior year. The reasons for changes in activity for the general fund are due to community development projects activity, along with debt service requirements, were more than the tax capture received in the current year.

General Fund Budgetary Highlights

In accordance with State statute, the Authority adopts a budget annually prior to the commencement of the fiscal year. The budget may be amended during the year by formal resolution of the Board of Directors. Accordingly, the budget was amended during the year for Brownfield plan amendments and additional intergovernmental grants received, as well as unexpended multi-year grants not included in the original budget.

Additional variances between the final budget and the actual were the result of multi-year grants received in prior and current years that were spent in the current fiscal year.

Capital Assets. The Authority has no capital assets at this time.

Long-term Obligation Administration

At the end of the current fiscal year, the Authority had total long-term obligations outstanding of $38,859,061.

	Principal Balance June 30, 2022	Debt Proceeds	Principal Payments	Principal Balance June 30, 2023
Revenue bonds	$ 39,720,000	$ -	$ (625,000)	$ 39,095,000
Loan payable	476,820	-	-	476,820
Unamortized premium/ (discount) on bonds	(739,022)	-	26,263	(712,759)
	$ 39,457,798	$ -	$ (598,737)	$ 38,859,061

Additional information on the Authority's long-term obligations can be found in Note 5 of the financial statements.

Economic Factors

Lansing Brownfield Redevelopment Authority expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made.

Requests for Information

This financial report is designed to provide a general overview of the Lansing Brownfield Redevelopment Authority finances and to show accountability for the money it receives and expends. Additional information on the Authority can be found on the City of Lansing's website at www.lansingmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Department - 8th Floor, 124 W. Michigan Avenue, Lansing, Michigan 48910.

BASIC FINANCIAL STATEMENTS

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 8,382,756
Cash and cash equivalents - restricted	2,197,893
Current portion of loans receivable	45,410
Due from other governmental units	10
Total current assets	10,626,069
Noncurrent assets	
Long-term loans receivable	68,812
TOTAL ASSETS	10,694,881
LIABILITIES	
Current liabilities	
Accounts payable	4,490,439
Accrued interest payable	334,364
Current portion of long-term obligations	821,060
Total current liabilities	5,645,863
Noncurrent liabilities	
Long-term obligations, net of current portion	38,038,001
TOTAL LIABILITIES	43,683,864
NET POSITION (DEFICIT)	
Restricted for Red Cedar Project	2,197,893
Restricted for EPA Loan	114,222
Unrestricted	(35,301,098)
TOTAL NET POSITION (DEFICIT)	$ (32,988,983)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Change in Net Position
Governmental activities			
Community and economic development	$ 9,994,429	$ -	$ (9,994,429)
Interest and fees on long-term debt	1,464,843	-	(1,464,843)
	$ 11,459,272	$ -	(11,459,272)
General revenues			
Property taxes			8,793,323
Investment earnings			233,331
Total general revenues			9,026,654
Change in net position			(2,432,618)
Net position (deficit), beginning of the year			(30,556,365)
Net position (deficit), end of the year			$ (32,988,983)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023

	General
ASSETS	
Cash and cash equivalents	$ 8,382,756
Cash and cash equivalents - restricted	2,197,893
Due from other governmental units	10
Loans receivable	114,222
TOTAL ASSETS	$ 10,694,881
LIABILITIES	
Accounts payable	$ 4,490,439
FUND BALANCE	
Restricted for Red Cedar Project	2,197,893
Restricted for EPA Loan	114,222
Committed - revolving fund B	966,095
Unassigned	2,926,232
TOTAL FUND BALANCE	6,204,442
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 10,694,881

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - governmental fund		$ 6,204,442
Amounts reported for the governmental activities in the statement of net position are different because:		
Long-term obligations and related liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term obligations and related liabilities at year-end consist of:		
Accrued interest payable	$ (334,364)	
Bonds and loans payable	(38,859,061)	
		(39,193,425)
Net position of governmental activities		$ (32,988,983)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023

	General
REVENUES	
Property taxes	$ 8,793,323
Intergovernmental - Federal/State	137,318
Investment earnings	233,331
Other	1,578
TOTAL REVENUES	9,165,550
EXPENDITURES	
Current	
Community and economic development	
Administrative	218,030
Community development projects	9,769,398
Debt service	1,998,792
TOTAL EXPENDITURES	11,986,220
NET CHANGE IN FUND BALANCE	(2,820,670)
Fund balance, beginning of year	9,025,112
Fund balance, end of year	$ 6,204,442

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balance - governmental fund	$ (2,820,670)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in loans receivable	(145,897)
Repayment of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:	
Change in deferred issuance discounts on long-term debt	(26,263)
Principal payments on long-term obligations	625,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in accrued interest payable	(64,788)
Change in net position of governmental activities	$ (2,432,618)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the activities of the Lansing Brownfield Redevelopment Authority (the "Authority"). The Authority was established August 17, 1997, pursuant to Public Act 381 of 1996. The primary purpose of the Authority is to revitalize environmentally distressed areas in the City of Lansing. The Authority's activities are primarily funded through tax increment financing.

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Authority. The Authority is a component unit of the City of Lansing, Michigan (the "City") because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations, and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable activities with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. Property taxes not properly included among program revenues are reportable instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within three months of the end of the current fiscal period or one-year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports a single major governmental fund - the general fund. The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those accounted for and reported in another fund, if any.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be demand deposits and amounts held by the City of Lansing, Michigan for the benefit of the Authority.

Restricted cash consists of amounts required to be maintained separately in accordance with bond covenants.

Loans Receivable

The Authority is party to loan agreements which amount to funds advanced to local corporations 1) under the Brownfield Cleanup Revolving Loan Fund program of the U.S. Environmental Protection Agency and 2) under the Brownfield Local Sight Remediation Revolving Loan Fund (LSRLF). The LSRLF consists of certain local tax captures.

Due from/to Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects and for captured property tax revenues not received by the Authority as of year end. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of projects costs being incurred are reported as unearned revenue, when applicable. Amounts due to other governments are negative pooled cash amounts the Authority has in the common cash account at the City of Lansing. While cash in total is positive, the Authority's component of pooled cash is negative creating a short-term liability of the Authority.

Accounts Payable

The Authority's accounts payable primarily relate to tax captures due to developers.

Fund Balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance, if any, is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Authority currently has no assigned fund balance, as the Board of Directors has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - BUDGETARY INFORMATION

The Authority has established the following procedures for determining the budgetary data presented in the accompanying required supplementary information to the financial statements:

a. The secretary of the Authority's Board of Directors submits to the City Council of the City of Lansing a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

b. A public hearing is conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by City Council resolution, pursuant to the Uniform Budgeting and Accounting Act (P.A. 621). This act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or to allow expenditures in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget and shall not exceed the amount appropriated.

d. Formal budgetary integration is employed as a management control device during the year for the funds.

e. Budgets are adopted on a basis consistent with generally accepted accounting principles.

f. Expenditures may not exceed budget at the activity level.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit balances as of June 30, 2023:

Statement of Net Position	
Cash and cash equivalents	$ 8,382,756
Cash and cash equivalents - restricted	2,197,893
	$ 10,580,649
Deposits	
Cash and cash equivalents in checking/savings and in uncategorized pooled investment accounts.	$ 10,580,649

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. As of year-end, $8,132,756 of the Authority's bank balance of $8,382,756 was exposed to custodial credit risk because it was uninsured and uncollateralized for the accounts that were specifically held in the Authority's name.

A portion of the Authority's deposits throughout the year are held by the City of Lansing, Michigan. Those specific deposit accounts are not held in the name of the Authority. The amount of federal depositary insurance and custodial credit risk of investments is determined for the City of Lansing, Michigan as a whole, and cannot be separately identified for the Authority related to these accounts. The Authority has a negative balance in pooled cash with the City at year-end. As a result, this short-term liability is not shown as negative cash but instead shown as a due to other governmental units.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. No investments had credit risk at year end.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Level 1	Level 2	Level 3	Total
Uncategorized pooled investments	$ -	$ 2,197,883	$ -	$ 2,197,883

State statutes authorize the Authority to invest in:

a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Bankers' acceptances of United States banks.

e. Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Authority follows the investment policy of the City of Lansing.

NOTE 4 - RECEIVABLES

Receivables of governmental activities are comprised of loans receivable funded by the U.S. Environmental Protection Agency (EPA) revolving loan funds, consisted of the following at June 30, 2023:

EPA Brownfield Revolving Loan Fund loan receivable from Sam Eyde Management, Inc. for cleanup related to the property located at 4000 N. Grand River Avenue in the City. Interest is accreted at 3.0% per annum. All unpaid principal and accreted interest is due in full on March 12, 2026.	$	68,812
EPA Brownfield Revolving Loan Fund loan receivable from the City of Lansing Economic Development Corporation. Interest is stated at 0%. Repayment is due in an amount of $45,410 on January 1, 2023.		45,410
	$	114,222

Of the above loans, approximately $68,812 is not expected to be collected within one year.

The Authority is also party to loan agreements, some funded by EPA revolving loan funds and others funded by local tax captures, in which the associated loans are expected to be repaid by future collections of tax increment revenues related to the properties being cleaned up. The liability of the local corporations is limited to any shortfalls in future collection of tax increment revenues. Because the balances that may eventually be collected from outside parties is not reasonably estimable due to the uncertainty of future tax captures, no balance is reported in either the government-wide or fund financial statements.

The outstanding balance of such loans at June 30, 2023, consisted of the following:

EPA Brownfield Revolving Loan Fund loan to Brownfield Development Specialists, LLC for cleanup related to the "Dard Building" in the City. Interest is stated at 0%.	$	208,281
Locally funded Brownfield Revolving Loan Fund loan to the High Grade Material Company for demolition and cleanup related to a single parcel of property in the City. Interest is accreted at 5.0% per annum.		10,957
EPA Brownfield Revolving Loan Fund loan to the City of Lansing Economic Development Corporation related to property formerly owned by the City of Lansing Board of Water and Light. Interest is stated at 0%.		363,687
Locally funded Brownfield Revolving Loan Fund loan receivable to the City for cleanup related to a redevelopment of the former Potter Mill property. Interest is stated at 0%.		117,986

NOTE 4 - RECEIVABLES (continued)

Locally funded Brownfield Revolving Loan Fund loan receivable to 515 Ionia, LLC for cleanup related to redevelopment of the Company's property. Interest is stated at 3%.	$ 242,041
MDEQ Revitalization Revolving Loan to 2200 Block, LLC for development of the Provident Place property. Interest is stated at 1.5% and does not begin accruing until five years from the loan effective date.	476,820
Locally funded project by debt issuance, secured solely by tax increments from the development of the Red Cedar project. Initial interest rate at 3.59%.	32,958,577
Locally funded Brownfield Revolving Loan Fund loan receivable to the City for cleanup related to a redevelopment of the former Temple Lofts property. Interest is stated at 1%.	247,470
	$ 34,625,819

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Revenue bonds	$ 39,720,000	$ -	$ (625,000)	$ 39,095,000	$ 730,000
Direct borrowings and direct placements					
Loan payable	476,820	-	-	476,820	91,060
Unamortized premium/(discount) on bonds	(739,022)	-	26,263	(712,759)	-
	$ 39,457,798	$ -	$ (598,737)	$ 38,859,061	$ 821,060

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Revenue Bonds

$9,660,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-1A, due in annual installments of $220,000 to $530,000 through June 2050, with interest ranging from 3.590% to 4.800%, payable annually.	$ 9,450,000
$9,600,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-1B, due in annual installments of $220,000 to $525,000 through June 2050, with interest ranging from 3.590% to 4.800%, payable annually.	9,395,000
$9,1300,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-2, due in annual installments of $255,000 to $425,000 through June 2050, with interest ranging from 3.450% to 4.650%, payable annually.	8,920,000
$10,065,000 Limited Obligation Tax Increment Revenue Bonds Series 2021A, due in annual installments of $35,000 to $960,000 beginning in June 2024 and through June 2051, with interest ranging from 3.650% to 4.900%, payable annually.	10,065,000
$1,265,000 Limited Obligation Tax Increment Revenue Bonds Series 2021B, due in annual installments of $35,000 to $165,000 beginning in June 2026 and through June 2035, with interest at 5.000%, payable annually.	1,265,000
Total revenue bonds	$ 39,095,000

Direct Borrowings and Direct Placements

$500,000 Revitalization Revolving Loan, due in annual installments of $42,147 to $48,913 through December 2033, with interest of 1.50%, payable annually.	$ 476,820

Pledged Revenues

The Authority has pledged certain tax increment revenue to repay the $39,095,000 in tax increment revenue bonds issued in previous years. Proceeds from the bonds provided financing for the construction costs of eligible activities and infrastructure improvements in accordance with a Brownfield Redevelopment Plan. The bonds are payable solely from tax capture and are payable through 2051. The total principal and interest paid for the current year and total tax capture revenue were $625,000 and $1,373,792, respectively.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Annual debt service requirements to maturity for the Authority's bonds payable and direct borrowing and direct placements are as follows:

Year Ending	Revenue Bonds		Direct Borrowings and Direct Placements	
June 30,	Principal	Interest	Principal	Interest
2024	$ 730,000	$ 1,373,791	$ 91,060	$ -
2025	895,000	1,358,414	42,779	-
2026	1,000,000	1,325,146	43,421	6,766
2027	1,125,000	1,558,929	44,072	6,134
2028	1,180,000	1,320,396	44,733	5,492
2029-2033	6,125,000	6,917,291	210,755	4,841
2034-2038	7,515,000	5,728,340	-	14,089
2039-2043	9,170,000	4,296,712	-	723
2044-2048	6,620,000	2,479,598	-	-
2049-2051	4,735,000	728,630	-	-
	$ 39,095,000	$ 27,087,247	$ 476,820	$ 38,045

The Authority's outstanding notes from direct borrowings and direct placements related to governmental activities of $476,820 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 6 - PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Lansing bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Ingham County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Economic Development Corporation of the City of Lansing (the "Corporation") provides administrative services to the Authority. Administrative services, consisting of operating costs and reimbursement of project expenses, charged to the Authority by the Corporation totaled $209,330 for the year ended June 30, 2023.

NOTE 8 - TAX ABATEMENTS

The Authority provides tax abatements under the following program:

> The Authority encourages environmental cleanup and economic development through its *Brownfield Redevelopment Plan* under Public Act 318. A developer performs redevelopment and cleanup activities at a site that is obsolete or blighted. The increased tax revenues resulting from the increase in taxable value are captured by the City and used to repay the developer for qualifying expenses. There is no provision for recovery of abated taxes because the developer is only paid for eligible expenses on a reimbursement-basis. Property taxes abated by the Authority under this program for fiscal year 2023, through direct reimbursement to developers from current tax captures amounted to $3,636,307.

In addition, there are reserve liabilities reported in the financial statements as a component of accounts payable that represent tax captures set aside for future developer reimbursements. Property taxes abated by the Authority under this program for fiscal year 2023, amounted to $980,262.

NOTE 9 - RISK MANAGEMENT

The Authority, as a discretely presented component unit of the City of Lansing, is exposed to various risks of loss that are covered by the City's policies, including losses related to issues of cyber security, liability, errors and omissions, flood, boiler and machinery, property, employee bonding, crime, and workers' compensation which is covered through the Authority's insurance policies. The Authority carries commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage during the past three years.

NOTE 10 - NET POSITION/FUND BALANCE

The statement of net position shows an unrestricted deficit of $(35,301,098) which is due to the full accrual accounting of all long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles). Total fund balance amounts to a positive balance of $6,204,442. Fund balance at year end consists of $2,197,893 restricted for unspent bond proceeds, restricted for EPA loan of $114,222, committed for revolving fund B of $966,095, and unassigned fund balance amounts $2,926,232.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

There was no material impact on the Authority's financial statement after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 7,597,936	$ 8,646,715	$ 8,793,323	$ 146,608
Intergovernmental - Federal/State	-	-	137,318	137,318
Investment earnings	-	-	233,331	233,331
Other	-	-	1,578	1,578
TOTAL REVENUES	7,597,936	8,646,715	9,165,550	518,835
EXPENDITURES				
Current				
Community and economic development				
Administrative	230,356	265,335	218,030	47,305
Community development projects	7,367,580	8,381,380	9,769,398	(1,388,018)
Debt service	-	-	1,998,792	(1,998,792)
TOTAL EXPENDITURES	7,597,936	8,646,715	11,986,220	(3,339,505)
NET CHANGE IN FUND BALANCE	-	-	(2,820,670)	(2,820,670)
Fund balance, beginning of year	9,025,112	9,025,112	9,025,112	-
Fund balance, end of year	$ 9,025,112	$ 9,025,112	$ 6,204,442	$ (2,820,670)

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budget of the Authority has been adopted at the activity level for the General Fund.

During the year ended June 30, 2023, the Authority incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Community and Economic Development	$ 8,646,715	$ 9,987,428	$ 1,340,713
Debt Service	-	1,998,792	1,998,792

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor, Members of the City Council,
and Members of the Board of Directors of the
Lansing Brownfield Redevelopment Authority
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Lansing Brownfield Redevelopment Authority (the Authority), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control, described below as item 2023-001, that we consider to be a material weakness.

2023-001 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the proper recognition of various financial statement amounts within the City's accounting records were recorded after year end, some of which were proposed by the auditors. In addition, we received several revisions to the City's trial balance (the final version coming in early December 2023), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2022-001.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries to assure the trial balance from which the financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Over the past several years, the City's Finance Department, who prepares the reconciliations of all accounts, has reduced in size due to budget reductions, staffing reductions, and staffing turnover. In addition, the Finance Department relies significantly on other Departments providing information to them for proper recording of transactions in the financial statements. A number of these Departments were behind in getting this information to the Finance Department. These issues have placed a significant burden on the month and year end close processes and have contributed to journal entries not being completed in a timely manner. We noted that this process did improve in the current fiscal year, however this was still a systemic issue for the City.

Effect: The accounting records were initially misstated by amounts material to the financial statements. Certain applicable adjustments were brought to the attention of management and were subsequently recorded in the general ledger.

Recommendation: We recommend that the City take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Finance Team will continue the efforts begun this year regarding the identification and correction of potential errors in the financial statements prior to the beginning of future audits. The Finance Team will meet to review adjustments made to this year's financial statements and bottlenecks that were encountered and will develop a plan to address the most significant issues in a more timely manner going forward. Within budget constraints, Management will look to increase staffing levels and/or obtain temporary assistance earlier in the fiscal year, both within the Finance Department as well as other key departments, in order to perform more timely analyses of the various account balances. In FY24, Finance will continue working on the implementation of a new General Ledger software package, which ultimately will also help to resolve this issue.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2023-002 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the Authority's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various areas.

Criteria: The Uniform Budgeting and Accounting Act requires the Authority to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined." The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."

Cause: The City did not adequately monitor expenditures in relation to budgeted amounts in the areas where the overages occurred.

Effect: Having unfavorable budget variances as described above, the Authority is not in compliance with Public act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Correction Action Response: The City will continue to make improvements in control of revenue and expenditures and budget conservatively in order to maintain the City's fiscal health. The Finance Department recently added a new Budget Director and Budget Analyst as part of its team and is working with departments to be more proactive and responsive to City needs and to identify necessary changes during the fiscal year. Correcting this issue will be one of their principal tasks. We will continue to work with the various departments to be more aware of the status of their actual vs budget status throughout the year. A decision was made to implement a new ERP system, which will also help with this in the future.

Report on Compliance and other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

December 15, 2023

CITY OF LANSING

INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Date: February 12, 2024

To: Lansing City Council

From: Emily Linden, Internal Auditor

Subject: Lansing Brownfield Redevelopment Authority Audit – Year End June, 30 2023

Overview

- Fund balance, beginning of year: $9,025,112
- Fund balance, end of year: $6,204,442
- Net Change in Fund Balance: $(2,820,670)

Notes

- The budget may be amended during the year by formal resolution of the Board of Directors. Accordingly, the budget was amended during the year for Brownfield plan amendments and additional intergovernmental grants received, as well as unexpended multi-year grants not included in the original budget.
- Additional variances between the final budget and the actual were the result of multi-year grants received in prior and current years that were spent in the current fiscal year.
- The Authority has no capital assets currently.
- At the end of the current fiscal year, the Authority had total long-term obligations outstanding of $38,859,061.

Audit Findings

- 2023-001 Material Journal Entries
  - Condition: Material journal entries for the proper recognition of various financial statement amounts within the City's accounting records were recorded after year end, some of which were proposed by the auditors. In addition, we received several revisions to the City's trial balance (the final version coming in early December 2023), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2022-001.

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December 15, 2023

The Honorable Mayor, Members of the City Council of the City of Lansing,
and Members of the Board of Directors of the
Tax Increment Finance Authority of the City of Lansing
Lansing, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing (the Authority), a discretely presented component unit of the City of Lansing, Michigan, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to City Council dated October 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tax Increment Finance Authority of the City of Lansing are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based IT Arrangements*, during the year ended June 30, 2023. The implementation of GASB Statement No. 96 did not have an impact on the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Investments are carried at fair value, which is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

We evaluated the key factors and assumptions used to develop this estimation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements that were detected as a result of audit procedures. The misstatements that were corrected by management related to various year-end accrual adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedule, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the City Council of the City of Lansing, the Board of Directors, and management of the City of Lansing and of the Tax Increment Finance Authority of the City of Lansing and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

TAX INCREMENT FINANCE AUTHORITY
OF THE CITY OF LANSING

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2023

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of the City Council
of the City of Lansing, and Members of the Board of
Directors of the Tax Increment Finance Authority
of the City of Lansing, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing (the Authority), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tax Increment Finance Authority of the City of Lansing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position, or where applicable, its cash flows of the City of Lansing, Michigan, as of June 30, 2023, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2022, on our consideration of the Tax Increment Finance Authority of the City of Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maner Costerisan PC

December 15, 2023

The Tax Increment Finance Authority of the City of Lansing (the "Authority") was established by the City of Lansing (the "City") on May 26, 1981, under the authority contained in Act 450, Michigan Public Acts of 1980 (the "Act"). The Authority presents this management's discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2023.

Using this Annual Report

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year.

- The *governmental fund balance sheet* presents information on the Authority's assets and liabilities, with the difference between the two reported as fund balance.

- The *statement of revenues, expenditures and change in fund balance - general fund* presents information showing the Authority's actual revenues and expenditures for the most recent fiscal year on the fund level perspective.

- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Statements. The net position of the Authority is summarized for the purpose of determining the overall financial position. The Authority's liabilities and deferred inflows of resources exceeded assets by $31,719,597 at the end of the fiscal year. This is the result of recognizing the entire amount of outstanding debt (full accrual accounting), without a corresponding receivable for taxes to be captured in future periods (which cannot be accrued in accordance with generally accepted accounting principles). The long-term liabilities are anticipated to be paid by the Authority in annual debt service payments over the next 20 years and the City has also pledged its limited full faith and credit for the repayment of the long-term obligations. The revenue source for these payments will be from annual property tax increments captured by the Authority from the TIFA District. The Authority's current and future yearly tax capture increments are projected by the Authority to be sufficient to make the future scheduled annual debt service payments.

A comparative analysis of the data is presented below:

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	$ 10,492,155	$ 8,702,615
Liabilities		
Current liabilities	1,567,315	2,357,775
Noncurrent liabilities	39,624,765	40,367,222
Total liabilities	41,192,080	42,724,997
Deferred Inflows	1,019,672	1,131,356
Net Position		
Restricted for debt service	276,027	1,135,498
Unrestricted (deficit)	(31,995,624)	(36,289,236)
Total net position	$ (31,719,597)	$ (35,153,738)

When comparing the current fiscal year to the previous fiscal year, net position increased by $3,434,141, as compared to the prior year increase in net position of $6,818,033. The main cause for this change is a correction of an estimate.

	Governmental Activities	
	2023	2022
Revenues		
General revenues	$ 5,057,055	$ 4,560,424
Expenses	1,622,914	(2,257,609)
Change in net position	3,434,141	6,818,033
Net position, beginning of year	(35,153,738)	(41,971,771)
Net position, end of year	$ (31,719,597)	$ (35,153,738)

General Fund Financial Analysis

At the end of the current fiscal year, the Authority's governmental fund (the general fund) reported an ending fund balance of $10,492,155 an increase of $2,019,000 in comparison to the prior year. The primary reason for this increase is an increase in property tax revenue.

General Fund Budgetary Highlights

In accordance with State statute, the Authority adopts a budget annually prior to the commencement of the fiscal year. The budget may be amended during the year by formal resolution of the Board of Directors.

Debt service expenditures were over final budget by $315,269 due to increase in debt service requirements based on amortization schedules for the Authority.

Capital Assets. The Authority has no capital assets at this time.

Long-term Obligations Administration

At the end of the current fiscal year, the Tax Increment Finance Authority of the City of Lansing had total long-term obligations outstanding of $41,051,256. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Lansing, Michigan. These bonds are outstanding with varying amounts of principal maturing until 2040.

	Outstanding Debt	
	2023	2022
General obligation bonds	$ 28,215,000	$ 28,265,000
Contract Payable		
Principal	10,009,580	10,009,580
Accreted interest	2,826,676	4,115,881
Total outstanding debt	$ 41,051,256	$ 42,390,461

Additional information on the Authority's long-term obligations can be found in Note 5 of the financial statements.

Economic Factors

The Tax Increment Finance Authority of the City of Lansing's expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made.

Requests for Information

This financial report is designed to provide a general overview of the Tax Increment Finance Authority of the City of Lansing finances and to show accountability for the money it receives and expends. Additional information on the Authority can be found on the City of Lansing's website at www.lansingmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Department - 8th Floor, 124 W. Michigan Avenue, Lansing, Michigan 48910.

BASIC FINANCIAL STATEMENTS

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 10,075,304
Restricted cash, cash equivalents, and investments	416,851
TOTAL ASSETS	10,492,155
LIABILITIES	
Current liabilities	
Current portion of accrued interest payable	9,178
Current portion of long-term obligations	1,558,137
Total current liabilities	1,567,315
Noncurrent liabilities	
Accrued interest payable, net of current portion	131,646
Long-term obligations, net of current portion	39,493,119
Total noncurrent liabilities	39,624,765
TOTAL LIABILITIES	41,192,080
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refunding	1,019,672
NET POSITION	
Restricted for debt service	276,027
Unrestricted (deficit)	(31,995,624)
TOTAL NET POSITION	$ (31,719,597)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Governmental Activities
EXPENSES	
Development expenses	$ 262,583
Interest and fees on long-term debt	1,360,331
TOTAL EXPENSES	1,622,914
GENERAL REVENUES	
Property taxes	5,036,311
Other income	3,062
Investment income	17,682
TOTAL GENERAL REVENUES	5,057,055
CHANGE IN NET POSITION	3,434,141
Net position, beginning of the year	(35,153,738)
Net position, end of the year	$ (31,719,597)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023

	General
ASSETS	
Cash and cash equivalents	$ 10,075,304
Restricted cash, cash equivalents, and investments	416,851
TOTAL ASSETS	$ 10,492,155
FUND BALANCE	
Restricted for debt service	$ 416,851
Unassigned	10,075,304
TOTAL FUND BALANCE	$ 10,492,155

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - governmental fund		$ 10,492,155
Amounts reported for the governmental activities in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities and related items at year-end consist of:		
Long-term obligations	$ (38,224,580)	
Deferred gain on bond refunding	(1,019,672)	
Accrued and accreted interest on long-term obligations	(2,967,500)	
		(42,211,752)
Net position of governmental activities		$ (31,719,597)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023

	General
REVENUES	
Property taxes	$ 5,036,311
Other income	3,062
Investment income	17,682
TOTAL REVENUES	5,057,055
EXPENDITURES	
Current	
General government	
Operating	262,583
Debt service	
Principal, interest, fiscal, and other charges	2,775,472
TOTAL EXPENDITURES	3,038,055
NET CHANGE IN FUND BALANCE	2,019,000
Fund balance, beginning of year	8,473,155
Fund balance, end of year	$ 10,492,155

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balance - governmental fund		$ 2,019,000
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of long-term obligations and borrowings of long-term obligations are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Payments on long-term obligations		1,775,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of deferred issuance discounts and changes in deferred gain/charge on bond refunding	$ 111,684	
Change in accreted interest on contract payable and accrued interest payable	(471,543)	
		(359,859)
Change in net position of governmental activities		$ 3,434,141

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tax Increment Finance Authority of the City of Lansing (the "Authority"), a component unit of the City of Lansing, was established by the City of Lansing (the "City") on May 26, 1981, under the authority contained in Act 450, Michigan Public Acts of 1980 (the "Act"). The Act authorizes the City to designate specific districts within its corporate limits as Tax Increment Finance Authority Districts (the "Districts"). The Authority is appointed to preside over such Districts, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization and historic preservation within the Districts. The Act allows the Authority to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. Tax increment financing plans must be approved by the City.

The Authority is a component unit of the City because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations, and it is financially accountable for the Authority. They do not purport to, and do not present fairly, the net position of the City of Lansing, Michigan and changes in its net position or cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable activities with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. Property taxes are reported as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Authority reports a single major governmental fund - the general fund. The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those accounted for and reported in another fund, if any.

Budgets and Budgetary Accounting

The Authority has established the following procedures for determining the budgetary data presented in the accompanying financial statements:

a. The secretary of the Authority's Board of Directors submits to the City Council of the City of Lansing a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

b. A public hearing is conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by City Council resolution, pursuant to the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, as amended). This act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or to allow expenditures in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget and shall not exceed the amount appropriated.

d. Formal budgetary integration is employed as a management control device during the year for the funds.

e. Budgets are adopted on a basis consistent with generally accepted accounting principles.

f. Expenditures may not exceed budget at the activity level.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with and original maturity of less than 90 days from the date of purchase, and amounts held by the City of Lansing, Michigan for the benefit of the Authority.

Restricted cash, cash equivalents, and investments consist of amounts required to be maintained separately in accordance with bond covenants.

Investments are stated at fair value. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Deposits and Investments (continued)

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Bankers' acceptances of United States banks.

e. The United States government or Federal agency obligations repurchase agreements.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

The Authority follows the investment policy of the City of Lansing.

Due From Other Governmental Units

Due from other governmental units consists of amounts due from the City of Lansing for general revenues and services.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority only has one item that qualifies for reporting in this category, which is the deferred gain on bond refunding. A deferred gain on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as a liability. Bond discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the period in which new debt is issued. The face amount of obligations issued are reported as an other financing source. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance, if any, is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Authority currently has no assigned or committed fund balance, as the Board of Directors has not yet given the authority for the making of such constraints. Unassigned fund balance is the residual classification for the general fund.

When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Revenues

Property taxes are levied on July 1 (lien date) on the taxable value of property as of the preceding December 31 and are payable without penalty through August 14. After August 14, unpaid property taxes are considered past due, and the applicable property is subject to lien.

The 2022 taxable valuation of the City approximated $2.49 billion (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 19.44 mills. These captures, in conjunction with captures the TIFA is entitled to receive from other taxing authorities, resulted in approximately $5.0 million of property tax revenue for the TIFA in the current year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - NET POSITION/FUND BALANCE

The statement of net position shows an unrestricted deficit of $(31,995,624), which is due to the full accrual accounting of all long-term obligations, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles). Total fund balance amounts to a positive balance of $10,492,155 and unassigned fund balance amounts to $10,075,304.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit balances as of June 30, 2023:

Statement of net position	
Cash and cash equivalents	$ 10,075,304
Restricted cash, cash equivalents, and investments - current	416,851
Total	$ 10,492,155
Deposits and investments	
Cash and cash equivalents in money market accounts and pooled cash at the City of Lansing	$ 10,075,304
Investments	416,851
	$ 10,492,155

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. As of year-end, there were no deposits subject to custodial credit risk.

A portion of the above deposits and investments are held by the City of Lansing, Michigan. Those specific deposit and investment accounts are not held in the name of the Authority. The amount of federal depositary insurance and custodial credit risk of investments is determined for the City of Lansing, Michigan as a whole, and cannot be separately identified for the Authority related to these accounts.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments

As of June 30, 2023, the Authority's investments consisted of U.S. government debt securities totaling $416,851. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. All investments held at year end were unrated.

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. For investments held at year-end maturities are as follows:

Due within one year	$ 416,851

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. government bonds	$ -	$ 416,851	$ -	$ 416,851

NOTE 4 - CONTRACT PAYABLE

The Authority entered into a 20-year contract with the City of Lansing to assist in the financing of various automobile parking structures and lots. Upon termination of the contract, the City shall convey the project and the sites to the Authority without consideration if permissible under the City Charter and applicable State law. The amortization is disclosed in Note 5.

NOTE 4 - CONTRACT PAYABLE (continued)

The Authority has entered into a payment agreement with the City to use excess tax increment revenues to make payments pursuant to an agreement between the City and the City of Lansing and County of Ingham Joint Building Authority (the "Joint Authority") related to the City's use of a building constructed by the Joint Authority. The total of such payments amounted to $50,000 for the year ended June 30, 2023.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Authority for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
General obligation bonds	$ 28,265,000	$ -	$ (50,000)	$ 28,215,000	$ 50,000
Direct borrowings and direct placements contract payable	10,009,580	-	-	10,009,580	-
Total	38,274,580	-	(50,000)	38,224,580	50,000
Add accreted interest on contract payable	4,115,881	435,795	(1,725,000)	2,826,676	1,508,137
	$ 42,390,461	$ 435,795	$ (1,775,000)	$ 41,051,256	$ 1,558,137

General Obligation Bonds

$16,150,000 2017 refunding bonds due in amounts ranging from $435,000 through $1,640,000, plus interest ranging from 3.305% to 4.075% through 2040 (limited tax, general obligation).	$ 16,150,000
$7,730,000 2019 refunding bonds due in amounts ranging from $865,000 through $1,335,000, plus interest ranging from 3.050% to 3.680% through 2031 (limited tax, general obligation).	7,730,000
$4,485,000 2020 refunding bonds due in amounts ranging from $50,000 through $540,000, plus interest ranging from 1.045% to 2.793% through 2039 (limited tax, general obligation).	4,335,000
Total general obligation bonds	$ 28,215,000

Direct Borrowings and Direct Placements

$49,660,000 1994 contract payable due in annual installments ranging from $134,245 to $2,265,220 through 2035. Interest is charged semi-annually at 3.35%. Any unpaid interest in a given year is accreted.	$ 10,009,580

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Annual debt service requirements to maturity for the Authority's long-term obligations is as follows:

	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Direct Placements	
Year Ending June 30,	Principal	Interest	Principal	Interest
2024	$ 50,000	$ 1,000,050	$ -	$ 1,508,137
2025	915,000	999,528	-	767,510
2026	1,615,000	972,574	-	1,242,510
2027	1,940,000	921,526	617,501	484,311
2028	1,655,000	858,472	631,906	307,988
2029-2033	8,985,000	3,350,148	6,360,708	1,149,287
2034-2038	9,330,000	1,776,034	2,399,465	71,908
2039-2040	3,725,000	178,285	-	-
	$ 28,215,000	$ 10,056,617	$ 10,009,580	$ 5,531,651

Prior Year Defeasance of Debt

As of June 30, 2023, defeased bonds related to the prior year refunding of the 2014 TIFA Refunding Bonds were still outstanding in the amount of $3,720,000. The defeased bond is scheduled to be paid by the escrow agent on June 1, 2024.

NOTE 6 - PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Lansing bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by the County of Ingham. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Tax Increment Finance Authority of the City of Lansing for local school levies to the extent that the current taxable value exceeds the base year taxable value.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Economic Development Corporation of the City of Lansing (EDC) provides administrative services to the Authority; the Authority and the EDC share a common board of directors.

Administrative fees, consisting of operating costs charged to the Authority by EDC, were $251,633. The Authority has no liability for compensated absences or pension benefits.

NOTE 8 - RISK MANAGEMENT

The Authority, as a discretely presented component unit of the City of Lansing, is exposed to various risks of loss that are covered by the City's policies, including losses related to issues of cyber security, liability, errors and omissions, flood, boiler and machinery, property, employee bonding, crime, and workers' compensation which is covered through the Authority's insurance policies. The Authority carries commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage during the past three years.

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

There was no material impact on the Authority's financial statement after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 3,857,270	$ 5,039,661	$ 5,036,311	$ (3,350)
Other income	-	-	3,062	3,062
Investment income	77,000	77,000	17,682	(59,318)
TOTAL REVENUES	3,934,270	5,116,661	5,057,055	(59,606)
EXPENDITURES				
Current				
General government				
Operating	195,000	251,633	262,583	(10,950)
Debt service				
Principal, interest, fiscal, and other charges	2,460,203	2,460,203	2,775,472	(315,269)
TOTAL EXPENDITURES	2,655,203	2,711,836	3,038,055	(326,219)
NET CHANGE IN FUND BALANCE	1,279,067	2,404,825	2,019,000	(385,825)
Fund balance, beginning of year	8,473,155	8,473,155	8,473,155	-
Fund balance, end of year	$ 9,752,222	$ 10,877,980	$ 10,492,155	$ (385,825)

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the Tax Increment Finance Authority have been adopted at the activity level for the General Fund.

During the year ended June 30, 2023, the Tax Increment Finance Authority incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
EXPENDITURES			
General government			
Operating	$ 251,633	$ 262,583	$ (10,950)
Debt Service			
Principal, interest, fiscal, and other charges	2,460,203	2,775,472	(315,269)

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor, Members of the City Council
of the City of Lansing, and Members of the Board of
Directors of the Tax Increment Finance Authority
of the City of Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing (the Authority), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control, described below as item 2023-001, that we consider to be a material weakness.

2023-001 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the proper recognition of various financial statement amounts within the City's accounting records were recorded after year end, some of which were proposed by the auditors. In addition, we received several revisions to the City's trial balance (the final version coming in early December 2023), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2022-001.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries to assure the trial balance from which the financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Over the past several years, the City's Finance Department, who prepares the reconciliations of all accounts, has reduced in size due to budget reductions, staffing reductions, and staffing turnover. In addition, the Finance Department relies significantly on other Departments providing information to them for proper recording of transactions in the financial statements. A number of these Departments were behind in getting this information to the Finance Department. These issues have placed a significant burden on the month and year end close processes and have contributed to journal entries not being completed in a timely manner. We noted that this process did improve in the current fiscal year, however this was still a systemic issue for the City.

Effect: The accounting records were initially misstated by amounts material to the financial statements. Certain applicable adjustments were brought to the attention of management and were subsequently recorded in the general ledger.

Recommendation: We recommend that the City take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Finance Team will continue the efforts begun this year regarding the identification and correction of potential errors in the financial statements prior to the beginning of future audits. The Finance Team will meet to review adjustments made to this year's financial statements and bottlenecks that were encountered and will develop a plan to address the most significant issues in a more timely manner going forward. Within budget constraints, Management will look to increase staffing levels and/or obtain temporary assistance earlier in the fiscal year, both within the Finance Department as well as other key departments, in order to perform more timely analyses of the various account balances. In FY24, Finance will continue working on the implementation of a new General Ledger software package, which ultimately will also help to resolve this issue.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2023-002 UNFAVORABLE BUDGET VARIANCES

Finding Type: Noncompliance material to financial statements

Condition: We noted that expenditures had exceeded the amounts appropriated for the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined" for all applicable funds. The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The City did not adequately monitor expenditures in relation to budgeted amounts in the areas where the overages occurred.

Effect: Having unfavorable budget variances as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The City will continue to make improvements in control of revenue and expenditures and budget conservatively in order to maintain the City's fiscal health. The Finance Department recently added a new Budget Director and Budget Analyst as part of its team and is working with departments to be more proactive and responsive to City needs and to identify necessary changes during the fiscal year. Correcting this issue will be one of their principal tasks. We will continue to work with the various departments to be more aware of the status of their actual vs budget status throughout the year. A decision was made to implement a new ERP system, which will also help with this in the future.

Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit are described above. The Authority's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

December 15, 2023

CITY OF LANSING

INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Date: February 12, 2024

To: Lansing City Council

From: Emily Linden, Internal Auditor

Subject: Tax Increment Finance Authority Audit – Year End June, 30 2023

<u>Overview</u>

- Fund balance, beginning of year: $8,473,155
- Fund balance, end of year: $10,492,155
- Net Change in Fund Balance: $2,019,000

<u>Notes</u>

- Debt service expenditures were over final budget by $315,269 due to increase in debt service requirements based on amortization schedules for the Authority.
- The Authority has no capital assets currently.
- At the end of the current fiscal year, the Tax Increment Finance Authority of the City of Lansing had total long-term obligations outstanding of $41,051,256. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Lansing, Michigan. These bonds are outstanding with varying amounts of principal maturing until 2040.

<u>Audit Findings</u>

- 2023-001 Material Journal Entries

  Condition: Material journal entries for the proper recognition of various financial statement amounts within the City's accounting records were recorded after year end, some of which were proposed by the auditors. In addition, we received several revisions to the City's trial balance (the final version coming in early December 2023), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2022-001.

- 2023-002 Unfavorable Budget Variances
  - Auditors noted that expenditures had exceeded the amounts appropriated for the General Fund.

LANSING CITY COUNCIL

GRANT INFORMATION FORM

(Required for all grant applications and acceptances)

REFERRAL DATE: January 8, 2024

GRANT NAME: Capital City Services

DEPARTMENT: Various

CONTACT PERSON (INCLUDE EMAIL AND PHONE): Jake Brower/Mark Lawrence, 517-483-4576

APPLIICATION DATE AWARD DATE: Pending

GRANT CYCLE: State FY 2024 Check One: ____Annual _X_One-Time

FUND AMOUNT: $1,000,000 (Breakdown below should total this amount)

GOODS & SERVICES

PERSONNEL

CONSTRUCTION

LAND

OTHER (Revenue – State Reimbursement) $1,000,000

CITY MATCH (IF APPLICABLE): $0 (Reimbursement)

GRANT PAYS FOR: maintenance or improvement of local roads, sidewalks, public utility infrastructure, emergency response, traffic management, or other public safety services that support the state capitol and adjacent state facilities.

FUND ALLOCATIONS (Please describe the purpose of the grant and allowable uses):

General Fund, State Revenues - $1,000,000 (reimbursing expenses)

LANSING CITY COUNCIL

GRANT INFORMATION FORM

(Required for all grant applications and acceptances)

REFERRAL DATE: January 8, 2024

GRANT NAME: Public Infrastructure Grants/Swimming Pool Restoration Contract

DEPARTMENT: Capital

CONTACT PERSON (INCLUDE EMAIL AND PHONE): Jake Brower/Mark Lawrence, 517-483-4576

APPLICATION DATE AWARD DATE: Pending

GRANT CYCLE: State FY 2024 Check One: ____Annual _X_One-Time

FUND AMOUNT: $6,200,000 (Breakdown below should total this amount)

GOODS & SERVICES

PERSONNEL

CONSTRUCTION $6,200,000

LAND

OTHER

CITY MATCH (IF APPLICABLE): $0

GRANT PAYS FOR: for the rehabilitation/restoration of a historic community swimming pool.

FUND ALLOCATIONS (Please describe the purpose of the grant and allowable uses):

Public Infrastructure Grants (LEO) $1,200,000 for the rehabilitation of a community pool.
Swimming Pool Restoration Contract (DNR) $5,000,000 to restore a public swimming pool listed on the National Register of Historic Places.

LANSING CITY COUNCIL

GRANT INFORMATION FORM

(Required for all grant applications and acceptances)

REFERRAL DATE: January 8, 2024

GRANT NAME: Sports Infrastructure Compliance

DEPARTMENT: Capital

CONTACT PERSON (INCLUDE EMAIL AND PHONE): Jake Brower/Mark Lawrence, 517-483-4576

APPLIICATION DATE AWARD DATE: Pending

GRANT CYCLE: State FY 2024 Check One: ____Annual _X_One-Time

FUND AMOUNT: $1,500,000 (Breakdown below should total this amount)

GOODS & SERVICES

PERSONNEL

CONSTRUCTION $1,500,000

LAND

OTHER

CITY MATCH (IF APPLICABLE): $0

GRANT PAYS FOR: sports infrastructure compliance (awarded to stadium facility owners that are associated with an affiliate of a professional baseball organization).

FUND ALLOCATIONS (Please describe the purpose of the grant and allowable uses):

State/Federal Grants - $1,500,000 (subgrant, construction)

CITY OF LANSING

INTERNAL AUDITOR

124 W MICHIGAN AVE FL 10

LANSING MI 48933-1605

(517) 483-4159

Date: January 22, 2023

To: Lansing City Council

From: Emily Linden, Internal Auditor

Subject: Budget Amendment; Fiscal Year 2023-2024 Second Quarter

<u>Overview</u>

The administration is working towards presenting Council with regular quarterly budget amendments to avoid budget variances at year-end.

Included in this Budget Amendment:

- Appropriates the money received from the State in their FY 2023/2024 budget
    - Including:
        - Public Infrastructure Grants
        - Swimming Pool Restoration
        - Sports Infrastructure Compliance
- Allocates additional funds to the Clerk's office due to the anticipation of increased operating expenses as well as additional allocations to City Supported Agencies for the Charter Commission
- Allocates the previously approved increase to personnel costs in Police, Fire, and Public Service to utilize for advertising, recruitment, and training
    - $120,00 for Police
    - $120,000 for Fire
    - $60,000 for Public Service
- A transfer from operating to personnel to support the Financial Empowerment Center's reorganization

Appropriation	Description	Amount
General Fund	Use of (Contribution to) Fund Balance	-$460,000
General Fund	State Revenues	1,000,000
Total General Fund Revenue Appropriation		**$540,000**
City Clerk's Office	Operating	$40,000
Neighborhood and Citizen	Personnel	150,000
Engagement	Operating	-150,000
Police	Personnel	-120,000
Police	Operating	120,000
Fire	Personnel	-120,000
Fire	Operating	120,000
Public Service	Personnel	-60,000
Public Service	Operating	60,000
City Supported Agencies	Operating (Charter Commission)	500,000
Total General Fund Expenditure Appropriation		**$540,000**
Capital Improvement	Use of (Contribution to) Fund Balance	-$1,400,000
Total Capital Improvement Revenue Appropriation		**-$1,400,000**
Capital Improvement	Capital (Stadium)	-$1,400,000
Total Capital Improvement Expenditure Appropriation		**-$1,400,000**
State/Federal Grants	State Revenues	$7,700,000
Total State/Federal Grants Revenue Appropriation		**$7,700,000**
LEO-Sec. 1019(11)	Public Infrastructure Grants	1,200,000
DNR-Sec. 1208	Swimming Pool Restoration	5,000,000
LEO-Sec. 1022(1-5)	Sports Infrastructure Compliance	1,500,000
Total State/Federal Grants Expenditure Appropriation		**$7,700,000**

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, at any time during the fiscal year, the City Council may consider appropriations which modify the previously adopted annual appropriation to transfer an unencumbered balance in whole or in part from any account; provide for the expenditure of revenues in excess of those in the budget; or meet a public emergency affecting life, health, property, or the public peace; and

WHEREAS, the State of Michigan has appropriated funds within its FY 2023/2024 budget for which the City of Lansing is an eligible recipient; and

WHEREAS, funding for capital city services was appropriated for reimbursement and support of local infrastructure and municipal services that support the state capitol and adjacent state facilities; and

WHEREAS, funding for public infrastructure grants was appropriated for the purpose of rehabilitating a community pool; and

WHEREAS, funding for a swimming pool restoration project was appropriated to restore a public swimming pool listed on the National Register of Historic Places; and

WHEREAS, funding for sports infrastructure compliance was appropriated to support capital improvement costs related to affiliate compliance requirements of a professional baseball organization; and

WHEREAS, the Clerk's Office anticipates additional operating expenses through the remainder of the current fiscal year; and

WHEREAS, the Financial Empower Center is being reorganized and will now be operated directly by the City requiring a transfer from operating to personnel to support two new city employees; and

WHEREAS, Council had previously moved to increase personnel budgets within the original adopted budget for Fire, Police, and Public Service Departments which the Departments would like to utilize for advertising, recruitment, and training; and

WHEREAS, elections will be held to determine membership for a commission to consider a general revision of the Lansing City Charter, requiring additional expenses including funding for its operations anticipated to carry forward into successive fiscal years; and

WHEREAS, funds for certain capital projects were appropriated in the contingency of seeking additional funding for which appropriations are no longer required.

NOW, THEREFORE, BE IT RESOLVED that the following FY 2023/2024 budget amendment is approved; and, BE IT FURTHER RESOLVED that the Lansing City Council hereby authorizes the Administration to accept any grants associated with the appropriations for capital city services, public infrastructure grants, swimming pool restoration project, and sports infrastructure compliance, subject to the terms of any accepted grant agreements.

BE IT FINALLY RESOLVED, the Administration is authorized to create appropriate accounts and to make the necessary operating transfers for the expenditure and control of the balance of the grant funds, carryforwards, and appropriations, and to execute any necessary agreements upon approval as to form by the City Attorney.

Appropriation	Description	Amount
General Fund	Use of (Contribution to) Fund Balance	-$460,000
General Fund	State Revenues	1,000,000
Total General Fund Revenue Appropriation		**$540,000**
City Clerk's Office	Operating	$40,000
Neighborhood and Citizen	Personnel	150,000
Engagement	Operating	-150,000
Police	Personnel	-120,000
Police	Operating	120,000
Fire	Personnel	-120,000
Fire	Operating	120,000
Public Service	Personnel	-60,000
Public Service	Operating	60,000
City Supported Agencies	Operating (Charter Commission)	500,000
Total General Fund Expenditure Appropriation		**$540,000**
Capital Improvement	Use of (Contribution to) Fund Balance	-$1,400,000
Total Capital Improvement Revenue Appropriation		**-$1,400,000**
Capital Improvement	Capital (Stadium)	-$1,400,000
Total Capital Improvement Expenditure Appropriation		**-$1,400,000**
State/Federal Grants	State Revenues	$7,700,000
Total State/Federal Grants Revenue Appropriation		**$7,700,000**
LEO-Sec. 1019(11)	Public Infrastructure Grants	1,200,000
DNR-Sec. 1208	Swimming Pool Restoration	5,000,000
LEO-Sec. 1022(1-5)	Sports Infrastructure Compliance	1,500,000
Total State/Federal Grants Expenditure Appropriation		**$7,700,000**

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, on December 12, 2022, the City Council resolved to place the question of the charter revision on the November 7, 2023 ballot; and

WHEREAS, the City Clerk determined that pursuant to State law, at the May 7, 2024 election the electorate should select nine (9) Charter Commissioners; and

WHEREAS, State law requires that prior to the election of said commissioners the Council shall establish the first meeting place, the compensation of its members, and the money for the expenses of the Commission; and

WHEREAS, money for the expenses of the Commission is being budgeted through a Fiscal Year Ending 2024, Second Quarter Budget Amendment Resolution; and

WHEREAS, pursuant to State law, the first meeting of the Charter Commission shall be the second Tuesday after the election, May 21, 2024.

NOW, THEREFORE, BE IT RESOLVED the Lansing City Council hereby calls upon the Charter Commission to meet and conduct its business in the Tony Benavides City Council Chambers on the 10th floor of the David Hollister City Hall.

BE IT FURTHER RESOLVED that Charter Commissioners receive $200 per diem to be paid for each regular Charter Commission meeting attended, but not to exceed ninety (90) such meetings;

BE IT FINALLY RESOLVED the City Clerk shall notify the members of the Commission in writing concerning the designated date, time, and place of the first meeting.

be ratified, and approved by City Council of the City of Lansing, as follows:

	Account Name	Budget*	Actual*
9201	Mileage	$ 72.00	$ 73.00
9305	Renovations	-0-	34.00
9307	Utilities	90.00	160.00
9401	Office Supplies	48.00	63.00
9411	Food	630.00	659.00
9057	Fringe Benefits	689.00	540.00
	TOTAL	$1,529.00	$1,529.00

*These figures represent 5% of the total combined budget provided with C.D.A. funds; the remaining 95% were provided by State of Michigan Office of Criminal Justice programs, L.E.A.A. Grant No. 10231-2A73.

Now, Therefore, Be It Resolved, that the City of Lansing hereby authorizes and ratifies the expenditures and transfers of New Way In, Incorporated, as delineated above.

Adopted by the following vote:

Yeas: Councilmen Anas, Belen, Brenke, Ferguson, Gunther, McKane—6.

Nays: Councilman Blair—1.

By Committee of the Whole—

Resolved by the City Council of the City of Lansing:

Whereas, on August 11, 1975 the City Council unanimously resolved to place the question of charter revision on the November 4th ballot; and

Whereas, the City Council further resolved that at said election the electorate should select nine charter commissioners; and

Whereas, State law requires that prior to the election of said commissioners the Council shall establish the first meeting place, the compensation of its members and the money for the expenses of the commissoin; now, therefore, be it

Resolved, that said commissioners receive $25.00 per diem to be paid for each regular charter commission meeting attended, but not to exceed ninety (90) such meetings; and be it further

Resolved, that a budget for expenses be established in the following amounts:

Stenographic Services	$5,000.00
Consultation and Drafting	15,000.00
Committee Expenses, postage and Stationery	2,000.00
Publication of Proposed Charter	4,000.00
Compensation as provided	20,250.00
TOTAL	$46,250.00

and be it further

Resolved, that the total budget, in the amount of $46,250.00, be transferred from the emergency fund to an account to be established for the Charter Revision Commission; and be it further

Resolved, that additional clerical secretarial help will be made available to the Commission by city departments upon their request, and that if requested all department heads will provide such information, expertise, and research as is requested by the Commission.

Adopted by the following vote:

Unanimously.

By Committee on Finance—

Resolved by the City Council of the City of Lansing:

That transfers be made as follows:

$68,100.00 from Capital Improvement Bldg. Fund
A/C 101-936-491-975

$68,100.00 to Tennis—Ice Complex—City Share
A/C 101-936-536-974

$ 500.00 from Reserve for Emergencies
A/C 101-941-000-963

$ 500.00 to Grand River Frontage—St. Joe
A/C 101-936-646-971

$ 3,500.00 from Potter Park River Improvement
A/C 249-936-442-974

$ 3,500.00 to G.B.D. Docking Facility—River Street River Improvement
A/C 249-936-444-974

$ 2,000.00 from Estimated Revenue—Service Garage Fund (640-676.08—Traffic Equipment Rental)
A/C 640-000-000-160

$ 1,000.00 to Operating Supplies
A/C 640-969-000-740

1,000.00 to Equipment Maintenance—Service Garage Fund—Traffic Dept.
A/C 640-969-000-943

I hereby certify that funds are available.

JAMES W. DOWSETT,
Director of Finance.

THE HOME RULE CITY ACT
Act 279 of 1909

AN ACT to provide for the incorporation of cities and for revising and amending their charters; to provide for certain powers and duties; to provide for the levy and collection of taxes by cities, borrowing of money, and issuance of bonds or other evidences of indebtedness; to validate actions taken, bonds issued, and obligations heretofore incurred; to prescribe penalties and provide remedies; and to repeal acts and parts of acts on specific dates.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—Am. 1973, Act 81, Imd. Eff. July 31, 1973;—Am. 1981, Act 175, Imd. Eff. Dec. 14, 1981;—Am. 1986, Act 64, Imd. Eff. Mar. 31, 1986;—Am. 1998, Act 150, Eff. Mar. 23, 1999.

The People of the State of Michigan enact:

117.1 Body corporate.

Sec. 1. Each organized city shall be a body corporate.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3304;—CL 1929, 2228;—CL 1948, 117.1.

Constitutionality: 1911 PA 203, which amended the title of this act and MCL 117.2, 117.4, 117.5, 117.18, 117.19, 117.20, 117.21, 117.25, and 117.28, and which added MCL 117.37, was held unconstitutional in its entirety in *Gallup v Saginaw*, 170 Mich 195; 135 NW 1060 (1912). See also *Attorney General v Detroit*, 168 Mich 249; 133 NW 1090 (1912); *Common Council of Detroit v Engel*, 187 Mich 88; 153 NW 537 (1915).

117.1a Short title.

Sec. 1a. This act shall be known and may be cited as "the home rule city act".

History: Add. 1945, Act 15, Eff. Sept. 6, 1945;—CL 1948, 117.1a;—Am. 1994, Act 89, Eff. Oct. 1, 1994.

117.1b Emergency financial manager; authority and responsibilities.

Sec. 1b. Notwithstanding any provision of this act, if an emergency financial manager has been appointed under the local government fiscal responsibility act, Act No. 101 of the Public Acts of 1988, being sections 141.1101 to 141.1118 of the Michigan Compiled Laws, with respect to a city governed by this act, then that emergency financial manager may exercise the authority and responsibilities provided in this act to the extent authorized by Act No. 101 of the Public Acts of 1988.

History: Add. 1988, Act 190, Imd. Eff. June 27, 1988.

117.2 Saving clause.

Sec. 2. Each city now existing shall continue with all its present rights and powers until otherwise provided by law.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—CL 1915, 3305;—CL 1929, 2229;—CL 1948, 117.2.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.
The 1911 amendment reads as follows: "Sec. 2. Each city now existing shall continue with all its present rights and powers except as herein otherwise provided."

117.3 Mandatory charter provisions.

Sec. 3. Each city charter shall provide for all of the following:

(a) The election of a mayor, who shall be the chief executive officer of the city, and of a body vested with legislative power, and for the election or appointment of a clerk, a treasurer, an assessor or board of assessors, a board of review, and other officers considered necessary. The city charter may provide for the selection of the mayor by the legislative body. Elections may be by a partisan, nonpartisan, or preferential ballot, or by any other legal method of voting. Notwithstanding another law or charter provision to the contrary, a city having a 1970 official population of more than 150,000, whose charter provides for terms of office of less than 4 years, and in which the term of office for the mayor and the governing body are of the same length, may provide by ordinance for a term of office of up to 4 years for mayor and other elected city officials. The ordinance shall provide that the ordinance shall take effect 60 days after it is enacted unless within the 60 days a petition is submitted to the city clerk signed by not less than 10% of the registered electors of the city requesting that the question of approval of the ordinance be submitted to the electors at the next regular election or a special election called for the purpose of approving or disapproving the ordinance.

(b) The nomination of elective officers by partisan or nonpartisan primary, by petition, or by convention.

(c) The time, manner, and means of holding elections and the registration of electors, subject to section 26 and other applicable requirements of law.

(d) The qualifications, duties, and compensation of the city's officers. If the city has an appointed chief administrative officer, the legislative body of the city may enter into an employment contract with the chief administrative officer extending beyond the terms of the members of the legislative body unless the employment contract is prohibited by the city charter. An employment contract with a chief administrative officer shall be in writing and shall specify the compensation to be paid to the chief administrative officer, any procedure for changing the compensation, any fringe benefits, and other conditions of employment. The contract shall state if the chief administrative officer serves at the pleasure of the legislative body, and the contract may provide for severance pay or other benefits in the event the chief administrative officer's employment is terminated at the pleasure of the legislative body.

(e) The establishment of 1 or more wards, and if the members of the city's legislative body are chosen by wards, for equal representation for each ward in the legislative body.

(f) That the subjects of taxation for municipal purposes are the same as for state, county, and school purposes under the general law.

(g) The annual laying and collecting taxes in a sum, except as otherwise provided by law, not to exceed 2% of the taxable value of the real and personal property in the city. Unless the charter provides for a different tax rate limitation, the governing body of a city may levy and collect taxes for municipal purposes in a sum not to exceed 1% of the taxable value of the real and personal property in the city. As used in this subdivision, "taxable value" is that value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

(h) An annual appropriation of money for municipal purposes.

(i) The levy, collection, and return of state, county, and school taxes in conformance with the general laws of this state, except that the preparation of the assessment roll, the meeting of the board of review, and the confirmation of the assessment roll may be at the times provided in the city charter.

(j) The public peace and health and for the safety of persons and property. In providing for the public peace, health, and safety, a city may expend funds or enter into contracts with a private organization, the federal or state government, a county, village, or township, or another city for services considered necessary by the legislative body. Public peace, health, and safety services may include the operation of child guidance and community mental health clinics, the prevention, counseling, and treatment of developmental disabilities, the prevention of drug abuse, and the counseling and treatment of drug abusers.

(k) Adopting, continuing, amending, and repealing the city ordinances and for the publication of each ordinance before it becomes operative. Whether or not provided in its charter, instead of publishing a true copy of an ordinance before it becomes operative, the city may publish a summary of the ordinance. If the city publishes a summary of the ordinance, the city shall include in the publication the designation of a location in the city where a true copy of the ordinance can be inspected or obtained. A charter provision to the contrary notwithstanding, a city may adopt an ordinance punishable by imprisonment for not more than 93 days or a fine of not more than $500.00, or both, if the violation substantially corresponds to a violation of state law that is a misdemeanor for which the maximum period of imprisonment is 93 days. Whether or not provided in its charter, a city may adopt a provision of a state statute for which the maximum period of imprisonment is 93 days or the Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923. Except as otherwise provided under the Stille-DeRossett-Hale single state construction code act, 1972 PA 230, MCL 125.1501 to 125.1531, a city may adopt a law, code, or rule that has been promulgated and adopted by an authorized agency of this state pertaining to fire, fire hazards, fire prevention, or fire waste, and a fire prevention code, plumbing code, heating code, electrical code, building code, refrigeration machinery code, piping code, boiler code, boiler operation code, elevator machinery code, an international property maintenance code, or a code pertaining to flammable liquids and gases or hazardous chemicals, that has been promulgated or adopted by this state, by a department, board, or other agency of this state, or by an organization or association that is organized and conducted for the purpose of developing the code, by reference to the law, code, or rule in an adopting ordinance and without publishing the law, code, or rule in full. The law, code, or rule shall be clearly identified in the ordinance and its purpose shall be published with the adopting ordinance. Printed copies of the law, code, or rule shall be kept in the office of the city clerk, available for inspection by, and distribution to, the public at all times. The publication shall contain a notice stating that a complete copy of the law, code, or rule is made available to the public at the office of the city clerk in compliance with state law requiring that records of public bodies be made available to the general public. Except as otherwise provided in this subdivision, a city shall not enforce a provision adopted by reference for which the maximum period of imprisonment is greater than 93 days. A city may adopt section 625(1)(c) of the Michigan vehicle code, 1949 PA 300, MCL 257.625, by reference in an adopting ordinance and shall provide that a violation of that ordinance is punishable by 1 or more of the following:

(*i*) Community service for not more than 360 hours.
(*ii*) Imprisonment for not more than 180 days.
(*iii*) A fine of not less than $200.00 or more than $700.00.
(*l*) That the business of the legislative body shall be conducted at a public meeting held in compliance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. All records of the municipality shall be made available to the general public in compliance with the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
(m) Keeping in the English language a written or printed journal of each session of the legislative body.
(n) A system of accounts that conforms to a uniform system of accounts as required by law.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3006;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2230;—Am. 1947, Act 344, Eff. Oct. 11, 1947;—Am. 1948, 1st Ex. Sess., Act 44, Eff. Aug. 20, 1948;—CL 1948, 117.3;—Am. 1949, Act 43, Eff. Sept. 23, 1949;—Am. 1960, Act 14, Imd. Eff. Apr. 13, 1960;—Am. 1967, Act 43, Eff. Nov. 2, 1967;—Am. 1973, Act 81, Imd. Eff. July 31, 1973;—Am. 1977, Act 204, Imd. Eff. Nov. 17, 1977;—Am. 1978, Act 241, Imd. Eff. June 15, 1978;—Am. 1979, Act 59, Imd. Eff. July 18, 1979;—Am. 1991, Act 182, Imd. Eff. Dec. 27, 1991;—Am. 1993, Act 207, Imd. Eff. Oct. 19, 1993;—Am. 1999, Act 256, Imd. Eff. Dec. 28, 1999;—Am. 1999, Act 260, Eff. Dec. 29, 1999;—Am. 2002, Act 201, Imd. Eff. Apr. 29, 2002;—Am. 2003, Act 303, Eff. Jan. 1, 2005;—Am. 2004, Act 541, Imd. Eff. Jan. 3, 2005;—Am. 2012, Act 7, Imd. Eff. Feb. 15, 2012.

117.3a Abolishment of at-large city council; election of members from single-member election districts; ballot question; approval; determination of city council president; adoption of apportionment plan by commission; qualifications of candidates; rules and procedures; amendment of charter.

Sec. 3a. (1) A city that has a population of not less than 750,000 as determined by the most recent federal decennial census and that has a city council composed of 9 at-large council members shall place a question in substantially the following form on the ballot at the general primary election held on Tuesday, August 6, 2002:

"Shall the existing 9-member at-large city council be abolished, shall the city be reapportioned into 9 single-member election districts, and shall district residency requirements be imposed on candidates for the city council?

Yes (_____)

No (_____).".

(2) The result of the vote shall be canvassed by the local board of canvassers under the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.
(3) If the question presented pursuant to subsection (1) is approved, the 9-member at-large city council is abolished on January 1, 2006 and shall be replaced by a city council of 9 members elected from single-member election districts at regular municipal elections beginning with the municipal primary election in 2005. Any charter provision to the contrary notwithstanding, the president of the city council shall be determined by a majority vote of the city council members elected and serving from single-member election districts.
(4) Within 30 days after the question presented pursuant to subsection (1) is approved, the city redistricting commission shall meet as the apportionment commission and adopt an apportionment plan. The city redistricting commission shall consist of 3 members, 2 of whom are appointed by the mayor and 1 of whom is appointed by the city council. The city redistricting commission shall thereafter meet within 30 days after the publication of the latest official figures of the federal decennial census to reapportion the city. To the extent consistent with this act, the procedural aspects of the apportionment process shall be governed by the same statutory procedures as those provided for a county charter commission apportionment pursuant to section 5(4), (5), (6), and (7) of 1966 PA 293, MCL 45.505. One of the 2 members appointed by the mayor under this subsection shall convene the city redistricting commission, sitting as the apportionment commission. As the apportionment commission, the city redistricting commission shall adopt its own rules of procedure. Two members shall constitute a quorum and all actions shall be by a majority vote.
(5) The city redistricting commission shall provide for equal representation for each single-member election district, and each single-member election district shall be as nearly equal in population and compact as is practicable based on the latest federal decennial census. In developing an apportionment plan, the city redistricting commission shall follow the lines used for planning sectors and subcommittees as provided by the city master plan and charter. In subsequent reapportionments, the city redistricting commission apportionment plan shall make only incremental changes to the single-member election district boundaries that are necessary to accommodate population change requirements. Each single-member election district shall be designated by number.

(6) Each candidate for city council shall be a resident of the single-member election district he or she seeks to represent. A city council member's office is vacated if the member moves his or her residence outside of the single-member election district that the member represents.

(7) To comply with and implement this section, the city clerk shall promulgate necessary election rules and procedures consistent with other provisions of the city charter. The city council may amend the charter to comply with the intent and findings of this section in the same manner provided by law and charter for the adoption of an ordinance. However, any charter amendment to comply with the intent and findings of this section shall take effect immediately upon adoption by the council. The city clerk shall file a copy of any charter amendment with the secretary of state and the county clerk of the county in which the city is located. Sections 21 to 25 do not apply to the charter amendment required under this section.

History: Add. 2002, Act 432, Imd. Eff. June 6, 2002.

Compiler's note: 2002 PA 432 (HB 6114), which added MCL 117.3a, does not validly direct placement of the proposition on the ballot--to change from the current at-large system of electing the city council to a single-member district plan--because it was not passed by a 2/3 vote in each house of the legislature, as required by Const 1963, art 4, sec 29. Michigan v Wayne Co Clerk, 466 Mich 640, 649 NW2d 73 (2002).

****** 117.3b SUBSECTION (1) DOES NOT APPLY AFTER DECEMBER 31, 2006: See subsection (2) ******

117.3b Terms of office; staggered terms; resolution; initial terms; applicability of subsection (1).

Sec. 3b. (1) Notwithstanding any charter provision, the city may provide by resolution for the terms of office of its elected officials and for staggered terms.

(2) The initial terms established under subsection (1) may be longer than allowed under the charter in order to facilitate the staggering of terms. This subsection does not apply after December 31, 2006.

(3) Notwithstanding any charter provision, the city may provide by resolution for any election provision that is consistent with the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

History: Add. 2005, Act 64, Imd. Eff. July 7, 2005.

117.4 Conduct of racing event under MCL 257.1701 et seq.; powers and duties.

Sec. 4. A city may permit the conducting of a racing event under the "city motor vehicle racing act of 1981" and shall have the powers and duties provided for in that act.

History: Add. 1981, Act 175, Imd. Eff. Dec. 14, 1981.

117.4a Borrowing money and issuing bonds; net indebtedness; limitation; computation; borrowing in case of fire, flood, or other calamity; incurring obligation for construction, renovation, or modernization of hospital; bonds as obligation of special assessment district and city; validation of bonds issued and obligations incurred before July 31, 1973.

Sec. 4a. (1) Each city in its charter may provide for the borrowing of money on the credit of the city and issuing bonds for the borrowing of money, for any purpose within the scope of the powers of the city.

(2) Notwithstanding a charter provision to the contrary, the net indebtedness incurred for all public purposes must not exceed the greater of the following:

(a) Ten percent of the assessed value of all the real and personal property in the city.

(b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred that exceeds 10% is or has been used solely for the construction or renovation of hospital facilities.

(3) In case of fire, flood, or other calamity, the legislative body may borrow for the relief of the inhabitants of the city and for the preservation of municipal property, a sum not to exceed 3/8 of 1% of the assessed value of all the real and personal property in the city, due in not more than 5 years, even if the loan would cause the indebtedness of the city to exceed the limit established by this section.

(4) In computing the net indebtedness, all of the following must be excluded:

(a) Bonds issued in anticipation of the payment of special assessments, even though they are also a general obligation of the city.

(b) Mortgage bonds that are secured only by a mortgage on the property or franchise of a public utility.

(c) Bonds issued to refund money advanced or paid on special assessments for water main extensions.

(d) Motor vehicle highway fund bonds, even though they are also a general obligation of the city.

(e) Revenue bonds.

(f) Bonds issued or contract or assessment obligations incurred to comply with an order of the water resources commission or a court of competent jurisdiction.

(g) Obligations incurred before January 9, 1973 for water supply, sewage, drainage, or refuse disposal, or resource recovery projects, or incurred after January 8, 1973 for projects necessary to protect the public health by abating pollution. A certification by the county, district, or state health department is sufficient proof that the project is necessary to protect the public health by abating pollution.

(h) Bonds issued to acquire housing for which rent subsidies will be received by the city or an agency of the city under a contract with the United States government and used by the city to operate and maintain the housing and pay principal and interest on the bonds.

(i) Obligations entered into under an intergovernmental self-insurance contract under section 5 of 1951 PA 35, MCL 124.5, or issued to pay premiums or to establish funds to self-insure for losses under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(j) Bonds issued or assessments or contract obligations incurred for the construction, improvement, or replacement of a combined sewer overflow abatement facility. As used in this subdivision:

(*i*) "Combined sewer overflow" means a discharge from a combined sewer system that occurs when the flow capacity of the combined sewer system is exceeded.

(*ii*) "Combined sewer overflow abatement facility" means any works, instrumentalities, or equipment necessary or appropriate to abate combined sewer overflows.

(*iii*) "Combined sewer system" means a sewer designed and used to convey both storm water runoff and sanitary sewage, and that contains lawfully installed regulators and control devices that allow for delivery of sanitary flow to treatment during dry weather periods and divert storm water and sanitary sewage to surface waters during storm flow periods.

(*iv*) "Construction" means any action taken in the designing or building of a combined sewer overflow abatement facility. This term includes, but is not limited to, all of the following:

(A) Engineering services.

(B) Legal services.

(C) Financial services.

(D) Design of plans and specifications.

(E) Acquisition of land or structural components, or both.

(F) Building, erection, alteration, remodeling, or extension of a combined sewer overflow abatement facility.

(G) City supervision of the project activities described in sub-subparagraphs (A) to (F).

(*v*) "Improvement" means any action taken to expand, rehabilitate, or restore a combined sewer overflow abatement facility.

(*vi*) "Replacement" means any action taken to obtain and install equipment, accessories, or appurtenances during the useful life of a combined sewer overflow abatement facility necessary to maintain the capacity and performance for which the equipment, accessories, or appurtenances are designed and constructed.

(5) The resources of the sinking fund pledged for the retirement of any outstanding bonds must also be deducted from the amount of the indebtedness.

(6) An obligation for the construction, renovation, or modernization of a hospital under subsection (2)(b) must not be incurred after July 1, 1978 unless the construction, renovation, or modernization has been approved in accordance with any applicable act or unless the obligation is to refinance a previous obligation.

(7) Each city may provide in its charter for the borrowing of money and issuing bonds for the borrowing of money in anticipation of the payment of special assessments, which bonds may be an obligation of the special assessment district or may be both an obligation of the special assessment district and a general obligation of the city.

(8) Bonds issued and obligations incurred before July 31, 1973 are validated.

(9) In computing the net indebtedness for the purposes of subsection (2), there may be added to the assessed value of real and personal property in a city for a fiscal year an amount equal to the assessed value equivalent of certain city revenues as determined under this subsection. The assessed value equivalent must be calculated by dividing the sum of the following amounts by the city's millage rate for the fiscal year:

(a) The amount paid or the estimated amount required to be paid by the state to the city during the city's fiscal year for the city's use under the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921, and the amount of any eligible reimbursement to the city under the local community stabilization authority act, 2014 PA 86, MCL 123.1341 to 123.1362, except any amount distributed under section 17(4)(c) of the local community stabilization authority act, 2014 PA 86, MCL 123.1357, in excess of the city's qualified loss. The department of treasury shall certify these amounts upon request. As used in this subdivision, "qualified loss" means that term as defined in section 5 of the local community stabilization authority act, 2014 PA 86, MCL 123.1345.

(b) The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under 1974 PA 198, MCL 207.551 to 207.572.

(c) The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under the commercial redevelopment act, 1978 PA 255, MCL 207.651 to 207.668.

History: Add. 1921, Act 353, Eff. Aug. 18, 1921;—Am. 1927, Act 351, Eff. Sept. 5, 1927;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2231;—Am. 1932, 1st Ex. Sess., Act 14, Imd. Eff. Apr. 29, 1932;—CL 1948, 117.4a;—Am. 1972, Act 374, Imd. Eff. Jan. 9, 1973;—Am. 1973, Act 81, Imd. Eff. July 31, 1973;—Am. 1977, Act 263, Imd. Eff. Dec. 8, 1977;—Am. 1978, Act 634, Imd. Eff. Jan. 8, 1979;—Am. 1988, Act 268, Imd. Eff. July 15, 1988;—Am. 1992, Act 256, Imd. Eff. Dec. 7, 1992;—Am. 1994, Act 324, Imd. Eff. Oct. 12, 1994;—Am. 2002, Act 201, Imd. Eff. Apr. 29, 2002;—Am. 2018, Act 89, Eff. June 24, 2018.

117.4b Refunds; bonds; sewers; waterworks; lighting; permissible charter provisions.

Sec. 4-b. Each city may in its charter provide:

(1) For refunding money advanced or paid on special assessments imposed, for water main extensions; for borrowing money through its legislative body on the faith and credit of the city, to provide for such refunding from time to time as buildings shall be connected with such water main extensions; and for the issuance of bonds therefor due in not more than 30 years in an amount and at the rate of interest limited by the charter of such city;

(2) For the installation and connection of sewers and waterworks on and to property within the city; for assessing the cost thereof to the several properties and making the same a lien thereon; and for the borrowing of money and issuing bonds in anticipation of the collection of such special assessments;

(3) For the installation and connection of conduits for the service of municipally owned and operated electric lighting plants; and for the borrowing of money and issuing the bonds of the city therefor, for the purpose of providing the first cost of such installation and connection.

History: Add. 1927, Act 209, Imd. Eff. May 20, 1927;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2232;—CL 1948, 117.4b.

117.4c Permissible charter provisions.

Sec. 4-c. Each city which is authorized to acquire, own, purchase, construct or operate any public utility, may provide in its charter for the issuance of mortgage bonds therefor beyond the general limit of the bonded indebtedness prescribed by law, provided that such mortgage bonds issued beyond the general limit of bonded indebtedness prescribed by law shall not impose any liability upon such city but shall be secured only upon the property and revenues of such public utility, including a franchise, stating the terms upon which, in case of foreclosure, the purchaser may operate the same, which franchise shall in no case extend for a longer period than 20 years from the date of the sale of such utility and franchise on foreclosure. Such mortgage bonds shall be sold to yield not to exceed 6 per centum per annum. The charter shall also provide for the creation of a sinking fund in the event of the issuance of such bonds, by setting aside such percentage of the gross or net earnings of the public utility as may be deemed sufficient for the payment of the mortgage bonds at maturity.

History: Add. 1927, Act 287, Imd. Eff. May 31, 1927;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2233;—CL 1948, 117.4c.

117.4d Permissible charter provisions; assessing costs of public improvement and boulevard lighting system; definitions.

Sec. 4d. (1) Each city may in its charter provide:

(a) For assessing and reassessing the costs, or a portion of the costs, of a public improvement to a special district.

(b) For assessing the cost, or a portion of the costs, of installing a boulevard lighting system on a street upon the lands abutting the street. A city shall not establish a special assessment district for a boulevard lighting system if the district includes the entire city, unless the special assessments against the real property within the district are levied on other than an ad valorem basis.

(2) As used in this section:

(a) "Boulevard lighting system" means any design or method of providing light to a street.

(b) "Cost" includes necessary condemnation cost and necessary expenses incurred for engineering, financial, legal, or administrative services; operation and maintenance of a boulevard lighting system, whether that service is provided directly by the city or is provided by an investor-owned utility; and other services of a similar kind involved in the making and financing of the improvement and in the levying and collecting of the special assessments for the improvement. If the service is rendered by city employees, the city may include the fair and reasonable cost of rendering the service. The inclusion of a cost specified in this subdivision as part of the cost of an improvement for which special assessments have been levied before the effective date of the 1987 amendatory act amending this section is validated.

(c) "Street" means a public avenue, street, highway, road, path, boulevard, or alley or other access used for travel by the public.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2234;—CL 1948, 117.4d;—Am. 1961, Act 124, Eff. Sept. 8, 1961;—Am. 1964, Act 27, Imd. Eff. Apr. 29, 1964;—Am. 1988, Act 201, Imd. Eff. June 29, 1988.

117.4e Public property; condemnation of private property; permissible charter provisions.

Sec. 4e. Each city may in its charter provide:

(1) For the acquisition by purchase, gift, condemnation, lease, construction or otherwise, either within or without its corporate limits and either within or without the corporate limits of the county in which it is located, of the following improvements including the necessary lands therefor, viz.: City hall, police stations, fire stations, boulevards, streets, alleys, public parks, recreation grounds, municipal camps, public grounds, zoological gardens, museums, libraries, airports, cemeteries, public wharves and landings upon navigable waters, levees and embankments, watch-houses, city prisons and work houses, penal farms, institutions, hospitals, quarantine grounds, electric light and power plants and systems, gas plants and systems, waterworks plants and systems, sewage disposal plants and systems, market houses and market places, office buildings for city officers and employees, public works, and public buildings of all kinds; and for the costs and expenses thereof;

(2) For the acquisition by purchase, gift, condemnation, lease or otherwise of private property, either within or without its corporate limits and either within or without the corporate limits of the county in which it is located, for any public use or purpose within the scope of its powers, whether herein specifically mentioned or not. If condemnation proceedings are resorted to for the acquisition of private property outside the corporate limits of such city, such condemnation proceedings may be brought under the provisions of Act No. 149 of the Public Acts of 1911, as amended or as may be amended, entitled "An act to provide for the condemnation by state agencies and public corporations of private property for the use or benefit of the public and to define the terms 'public corporations', 'state agencies' and 'private property' as used herein," being sections 353 to 373 inclusive of the Compiled Laws of 1915, or such other appropriate provisions therefor as exist or shall be made by law;

(3) For the maintenance, development, operation, of its property and upon the discontinuance thereof to lease, sell or dispose of the same subject to any restrictions placed thereupon by law: Provided, That on the sale of any capital asset of a municipally owned utility the money received shall be used in procuring a similar capital asset, or placed in the sinking fund to retire bonds issued for said utility.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2235;—CL 1948, 117.4e;—Am. 1949, Act 207, Eff. Sept. 23, 1949.

Compiler's note: For provisions of Act 149 of 1911, referred to in subdivision (2), see MCL 213.21 et seq.

117.4f Permissible city charter provisions.

Sec. 4f. Each city may in its charter provide for any of the following:

(a) For the purchase or condemnation of franchises, if any exist, and of the property used in the operation of companies or individuals engaged in the road, cemetery, hospital, almshouse, electric light, gas, heat, water, and power business, and in cities having more than 25,000 inhabitants, for the purchase of the franchise, if any exist, and the property of street railway and tram railway companies. A city may in its charter allow for a contract, upon the terms, including terms of present or deferred payment, and upon the conditions and in the manner as the city considers proper, to purchase, operate, and maintain any existing public utility property for supplying water, heat, light, power, or transportation to the city and the city's inhabitants. The contract does not bind the city unless the proposition for the contract receives the affirmative vote of 3/5 of the electors voting at a regular or special election. For the purchase of a transportation utility, the charter amendment and the contract to purchase may provide for a sinking fund, into which must be paid, from the earnings of the utility, sums sufficient to purchase the utility and perform the obligations of the contract. Within a reasonable time after the acquisition of a public transportation utility, a system of civil service for the selection and retention of its employees must be established. If a vote is taken to amend a city charter to allow an acquisition under this subdivision, a vote may also be taken at the same election to approve a particular contract. The vote upon the charter amendment and upon the purchase contract must be by separate ballots. If a transportation utility is acquired under this subdivision, state taxes and local taxes on any portion of the property lying outside of the city limits must be paid as if privately owned. The powers under this subdivision are in addition to any other powers provided for under this section.

(b) For owning, constructing, and operating transportation facilities within the city limits, and its adjacent and adjoining suburbs within a distance of 10 miles from any portion of the city limits.

(c) For the purchase and condemnation of private property for any public use or purpose within the scope of its powers; for the acquirement, ownership, establishment, construction, and operation, either within or outside its corporate limits, of public utilities for supplying water, light, heat, power, and transportation to the city and the city's inhabitants, for domestic, commercial, and municipal purposes; for the sale of heat, power, and light outside its corporate limits in an amount as determined by the governing body of the utility supplying the heat, power, or light except that electric delivery service is limited to the area of any village or township that was contiguous to the city as of June 20, 1974, and to the area of any other village or township being served as of June 20, 1974 and retail sales of electric generation service are limited to the area of any city, village, or township that was contiguous to the city, village, or township as of June 20, 1974, and to the area of any other city, village, or township being served as of June 20, 1974; for the sale and delivery of water outside of its corporate limits in the amount as may be determined by the legislative body of the city; and for the operation of transportation lines outside the city and within 10 miles from its corporate limits. A city shall not render electric delivery service for heat, power, or light outside its corporate limits to a customer that is currently receiving or within the previous 3 years has received that service from another utility unless that utility consents in writing. The acquirement of a utility together with all properties, franchises, and rights necessary for its establishment, ownership, construction, operation, improvement, extension, and maintenance, whether the properties, franchises, and rights are situated within or outside the corporate limits of the city, may be either by purchase or condemnation. If the acquirement is by condemnation, 1911 PA 149, MCL 213.21 to 213.25, may be used for instituting and prosecuting the condemnation proceedings. A public utility is not acquired unless the proposition to do so first receives the affirmative vote of 3/5 of the electors of the city voting at a regular or special municipal election. As used in this subdivision:

(*i*) "Customer" means only the building or facilities served rather than the individual, association, partnership, corporation, governmental body, or any other entity taking service.

(*ii*) "Electric delivery service" has the same meaning as "delivery service" under section 10y of 1939 PA 3, MCL 460.10y.

(*iii*) "Electric generation service" means the sale of electric power and related ancillary services.

(d) For the acquiring, establishment, operation, extension, and maintenance of sewage disposal systems, sewers, and plants, either within or outside the corporate limits of the city, as a utility, including the right to acquire necessary property by purchase, gift, or condemnation, and including the fixing and collecting of charges exclusively for service covering the cost of the service. This subdivision allows a return on the fair value of the property devoted to the service, excluding the valuations of the portions of the system that were paid for by special assessment, which may be made as a lien upon the property served and if not paid when due, collected in the same manner as other city taxes.

History: Add. 1927, Act 367, Eff. Sept. 5, 1927;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2236;—CL 1948, 117.4f;—Am. 1955, Act 26, Eff. Oct. 14, 1955;—Am. 1965, Act 116, Imd. Eff. July 2, 1965;—Am. 1974, Act 18, Imd. Eff. Feb. 15, 1974;—Am. 1975, Act 296, Imd. Eff. Dec. 11, 1975;—Am. 2000, Act 156, Imd. Eff. June 14, 2000;—Am. 2018, Act 517, Imd. Eff. Dec. 28, 2018.

117.4g Rapid transit system; permissible charter provisions.

Sec. 4-g. Each city may in its charter provide:

(1) For the acquisition by construction, condemnation or purchase and for the ownership, equipment, possession, leasing, operation and maintenance of a rapid transit system consisting of a tunnel, subway, surface or elevated system or any combination and qualification of these, in and through said city, and for a distance of not more than 10 miles beyond its limits, for the purpose of furnishing transportation facilities to the municipality and to the people thereof; for the preparation and publication of plans for such construction, equipment and maintenance in accordance with charter provisions adopted hereunder; for the operation of such facilities independently or in connection with other transportation facilities, or transportation system, owned, operated or controlled by such city or existing therein, or in the territory in which any such rapid transit system is established; for the appropriate designation of such facilities; for the taking of the fee of or easement or right of way on, under, above and through any property for the purposes thereof, by gift, grant and purchase, and by condemnation proceedings in accordance with any law of the state of Michigan providing therefor; and for the management of such facilities, for the purposes for which the same are or may be acquired or constructed. Provision may also be made for the execution of contracts incidental to the carrying out of the purposes hereby contemplated. In the event that property is taken by condemnation under any statute pertaining thereto, the actual benefits accruing to or received by a remainder of any such parcel on account of the construction of the improvement shall be taken into account in determining the damages to be awarded by way of compensation to the owner or owners of such property. The charter shall also provide for the proper financing of the acquisition and construction of any such system and facilities by direct taxation, special assessments on the basis of benefits actually and exclusively received by property affected by any such improvement, or by borrowing money and issuing bonds or other evidence of indebtedness therefor, or by a combination of such methods; and for the defraying of the cost of maintenance, operation and

management of such facilities and for payment of interest on and a sinking fund to retire any bonds issued under this subsection, from the revenues received as a result of the operation thereof by the city. Bonds executed and sold for the purpose of raising money to cover the cost of such acquisition and construction may be issued on the faith and credit of the city or same may be secured by mortgage on the property and revenues of the utility established pursuant hereto. The aggregate amount of bonds issued on the faith and credit of the city under this subsection shall not exceed 2 per cent of the assessed valuation of the taxable property within said city for the preceding fiscal year; and in computing the total indebtedness of the city for the purpose of determining whether any other limitation prescribed by law has been exceeded, such bonds shall not be included. Except as is in this subsection otherwise specifically provided, all bonds issued by a city for the purposes hereby contemplated shall be subject to the restrictions and conditions prescribed in section 4-a of this act. In case provision is made in the charter for raising money by direct taxation for the purposes hereof, the amount of such tax levied and assessed in any year shall not exceed 1/6 of 1 per cent of the assessed valuation of the city for such year; and the amount of any such tax shall not be subject to any other limitations prescribed by law, or considered in determining whether any such limitation has been exceeded. In no case shall more than 60 per cent of the total estimated cost of acquiring or constructing any such rapid transit system or portion of extension thereof, be raised by direct taxation, and by the issuance of bonds on the faith and credit of the city. As incidental to the authority hereby granted, provision may be made in any city charter for the exercise of powers incidental to the accomplishment of the purposes hereof, and reasonably calculated and designed to facilitate the furnishing of adequate transportation facilities by the means aforesaid to the municipality and the people thereof. No charter amendment or amendments, contemplating and providing for the exercise of the powers referred to in this subsection, shall be submitted to a vote of the electors unless and until the same shall have been published pursuant to the direction of the legislative body of the city, in at least 1 newspaper having a general circulation in such city at least once each week for 3 weeks in succession during the 30 day period immediately preceding the date of the election; and no plan for construction and operation of any rapid transit system shall be put into effect unless the same shall first have been submitted to the qualified electors of the city and approved thereby. Such submission of plan shall be made subsequent to the enactment of said charter amendments either at a general election or a special election called for that purpose by the legislative body of the city. Such contemplated plan shall, before its submission, and as a condition prerequisite thereto, be published once each week for 6 weeks in succession in some daily newspaper having a general circulation within the city, during the 60-day period immediately preceding the date of submission to the electors; and the contemplated plan as so published shall specify the route or routes of the proposed rapid transit system, the type of construction proposed for the various sections or parts thereof, the method or methods for financing the improvement, the order in which the various sections or parts are to be constructed or acquired, the system of management to be adopted, the estimated cost of the various sections or parts of the system, and such other matters as the legislative body of the city shall require: Provided, however, That the financial plan so submitted shall not permit special assessments against any property in excess of actual benefits, meaning increased value, accruing exclusively as a result of said improvement; and the payment of such special assessments made under this subsection, shall be prorated over a period of not less than 10 years.

(2) For negotiating, executing and performing contracts with any other municipality or municipalities, duly authorized and empowered to that end, with reference to the construction, equipment, operation, maintenance and management of a rapid transit system and facilities, and for the financing of any obligations, assumed under or imposed by any such contract. The grants, limitations and restrictions set forth in the preceding subsection of this section shall be deemed applicable to, and shall be observed in the adoption of, charter provisions and amendments hereunder and in the exercise of the authority hereby granted.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2237;—CL 1948, 117.4g.

117.4h Public ways; permissible charter provisions.

Sec. 4-h. Each city may in its charter provide:

(1) For the use, regulation, improvement and control of the surface of its streets, alleys and public ways, and of the space above and beneath them;

(2) For the use, by others than the owner, of property located in streets, alleys and public places, in the operation of a public utility, upon the payment of a reasonable compensation to the owners thereof;

(3) For a plan of streets and alleys within and for a distance of not more than 3 miles beyond its limits;

(4) For the use, control and regulation of streams, waters and water courses within its boundaries, but not so as to conflict with the law or action thereunder where a navigable stream is bridged or dammed; or with riparian or littoral rights without their corporate limits;

(5) For securing by condemnation, by agreement or purchase, or by any other means, an easement in

property abutting or adjacent to any navigable stream, for the purpose of securing the privilege and right to construct, own and maintain along or adjacent to any navigable stream an elevated structure of 1 or more levels for use as vehicular or pedestrian passageway, or for any other municipal purpose;

(6) For the acquiring, establishment, operation, extension and maintenance of facilities for the storage and parking of vehicles within its corporate limits, including the fixing and collection of charges for services and use thereof on a public utility basis, and for such purpose to acquire by gift, purchase, condemnation or otherwise the land necessary therefor;

(7) For the acquiring, constructing, establishment, operation, extension and maintenance of facilities for the docking of pleasure water crafts and/or hydroplanes within its corporate limits, including the fixing and collection of charges for use thereof, and for such purpose or purposes to acquire by gift, purchase, condemnation or otherwise, the land necessary therefor.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2238;—Am. 1931, Act 295, Imd. Eff. June 8, 1931;—CL 1948, 117.4h

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117.4i Permissible charter provisions.

Sec. 4i. Each city may provide in its charter for 1 or more of the following:

(a) Laying and collecting rents, tolls, and excises.

(b) Regulating and restricting the locations of oil and gasoline stations.

(c) The establishment of districts or zones within which the use of land and structures, the height, area, size, and location of buildings, the required open spaces for light and ventilation of buildings, and the density of population may be regulated by ordinance. The zoning ordinance provisions applicable to 1 or more districts may differ from those applicable to other districts. If a city is incorporated, or if territory is annexed to a city incorporated under this act, the zoning ordinance provisions applicable to the territory within the newly incorporated city or the annexed territory must remain in effect for 2 years after the incorporation or annexation unless the legislative body of the city lawfully adopts other zoning ordinance provisions.

(d) Except as otherwise provided in this subdivision, the regulation of trades, occupations, and amusements within city boundaries, if the regulations are not inconsistent with state or federal law, and the prohibition of trades, occupations, and amusements that are detrimental to the health, morals, or welfare of the inhabitants of that city. This subdivision is subject to the local government occupational licensing act.

(e) The regulation or prohibition of public nudity within city boundaries. As used in this subdivision, "public nudity" means knowingly or intentionally displaying in a public place, or for payment or promise of payment by any person including, but not limited to, payment or promise of payment of an admission fee, any individual's genitals or anus with less than a fully opaque covering or a female individual's breast with less than a fully opaque covering of the nipple and areola. Public nudity does not include any of the following:

(*i*) A woman's breastfeeding of a baby whether or not the nipple or areola is exposed during or incidental to the feeding.

(*ii*) Material as that term is defined in section 2 of 1984 PA 343, MCL 752.362.

(*iii*) Sexually explicit visual material as that term is defined in section 3 of 1978 PA 33, MCL 722.673.

(f) Licensing, regulating, restricting, and limiting the number and locations of billboards within the city.

(g) The initiative and referendum on all matters within the scope of the powers of that city and the recall of city officials.

(h) A system of civil service for city employees, including employees of that city's board of health, and employees of any jail operated or maintained by the city. Charter provisions providing for a system of civil service for employees of a local health board are valid and effective.

(i) Subject to sections 4p and 4u, a system of compensation for city employees and for the dependents of city employees in the case of disability, injury, or death of city employees.

(j) The enforcement of police, sanitary, and other ordinances that are not in conflict with the general laws.

(k) The punishment of persons who violate city ordinances other than ordinances described in section 4*l*. The penalty for a violation of such a city ordinance must not exceed a fine of $500.00 or imprisonment for 90 days, or both. However, unless otherwise provided by law, the ordinance may provide that a violation of the ordinance is punishable by imprisonment for not more than 93 days or a fine of not more than $500.00, or both, if the violation substantially corresponds to a violation of state law that is a misdemeanor for which the maximum period of imprisonment is 93 days. In addition, a city may adopt section 625(1)(c) of the Michigan vehicle code, 1949 PA 300, MCL 257.625, by reference in an adopting ordinance and shall provide that a violation of that ordinance is punishable by 1 or more of the following:

(*i*) Community service for not more than 360 hours.

(*ii*) Imprisonment for not more than 180 days.

(*iii*) A fine of not less than $200.00 or more than $700.00.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2239;—Am. 1937, Act 309, Eff. Oct. 29, 1937;—Am. 1939, Act 175, Eff. Sept. 29, 1939;—Am. 1941, Act 10, Imd. Eff. Mar. 5, 1941;—Am. 1941, Act 283, Imd. Eff. June 17, 1941;—CL 1948, 117.4i;—Am. 1957, Act 131, Imd. Eff. May 25, 1957;—Am. 1963, Act 166, Eff. Sept. 6, 1963;—Am. 1991, Act 175, Eff. Mar. 30, 1992;—Am. 1994, Act 17, Eff. May 1, 1994;—Am. 1994, Act 313, Imd. Eff. July 21, 1994;—Am. 1996, Act 179, Imd. Eff. Apr. 19, 1996;—Am. 1999, Act 55, Eff. Oct. 1, 1999;—Am. 2012, Act 7, Imd. Eff. Feb. 15, 2012;—Am. 2014, Act 183, Imd. Eff. June 20, 2014;—Am. 2017, Act 214, Imd. Eff. Dec. 20, 2017;—Am. 2018, Act 498, Imd. Eff. Dec. 27, 2018.

Compiler's note: Enacting section 1 of Act 498 of 2018 provides:
"Enacting section 1. This amendatory act is retroactive and takes effect January 1, 2018."

117.4j City departments; special acts; municipal powers; permissible charter provisions.

Sec. 4-j. Each city may in its charter provide:

(1) For the establishment of any department that it may deem necessary for the general welfare of the city, and for the separate incorporation thereof: Provided, however, That these provisions shall not be construed to extend to and include public schools;

(2) For altering, amending or repealing any special act affecting any municipal concerns or existing municipal department, but the department in control of the public schools shall not be construed to be a municipal department;

(3) For the exercise of all municipal powers in the management and control of municipal property and in the administration of the municipal government, whether such powers be expressly enumerated or not; for any act to advance the interests of the city, the good government and prosperity of the municipality and its inhabitants and through its regularly constituted authority to pass all laws and ordinances relating to its municipal concerns subject to the constitution and general laws of this state.

History: Add. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2240;—CL 1948, 117.4j.

117.4k Civic, artistic, and cultural activities; public funds.

Sec. 4k. Each city in its charter may provide for the appropriation and allocation of public funds to a public or private nonprofit institution engaged within the city in the provision of civic, artistic, and cultural activities, including but not limited to music, theater, dance, visual arts, literature and letters, architecture, architectural landscaping, and allied arts and crafts, to the general public.

History: Add. 1978, Act 499, Imd. Eff. Dec. 11, 1978.

117.4*l* Ordinance; designation as civil infraction or blight violation; civil fine; act or omission constituting crime.

Sec. 4*l*. (1) Consistent with any of the following statutes and whether or not authorized by the city charter, the legislative body of a city may adopt an ordinance that designates a violation of the ordinance as a civil infraction and provides a civil fine for that violation:

(a) The Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923.

(b) 1969 PA 235, MCL 257.941 to 257.943.

(c) 1956 PA 62, MCL 257.951 to 257.955.

(2) Whether or not authorized by the city charter, the legislative body of a city may adopt an ordinance that designates a violation of the ordinance as a municipal civil infraction and provides a civil fine for that violation. An ordinance shall not designate a violation as a municipal civil infraction if that violation may be designated as a civil infraction under subsection (1). A statute may provide that a violation of a specific type of ordinance is a municipal civil infraction whether or not the ordinance designates the violation as a municipal civil infraction.

(3) An ordinance shall not make an act or omission a municipal civil infraction or a blight violation if that act or omission constitutes a crime under any of the following:

(a) Article 7 of the public health code, 1978 PA 368, MCL 333.7101 to 333.7545.

(b) The Michigan penal code, 1931 PA 328, MCL 750.1 to 750.568.

(c) The Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923.

(d) The Michigan liquor control code of 1998, 1998 PA 58, MCL 436.1101 to 436.2303.

(e) Part 801 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.80101 to 324.80199.

(f) The aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208.

(g) Part 821 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.82101 to 324.82160.

(h) Part 811 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.81101 to 324.81150.

(i) Sections 351 to 365 of the railroad code of 1993, 1993 PA 354, MCL 462.351 to 462.365.

(j) Any law of this state under which the act or omission is punishable by imprisonment for more than 90 days.

(4) Whether or not authorized by the city charter, the legislative body of a city may adopt an ordinance that designates a violation of the ordinance as a blight violation and provides a civil fine and other sanctions for that violation consistent with section 4q. An ordinance shall not designate a violation as a blight violation if that violation may be designated a civil infraction under subsection (1). An ordinance shall not designate a violation as both a municipal civil infraction and a blight violation.

History: Add. 1994, Act 17, Eff. May 1, 1994;—Am. 1996, Act 44, Imd. Eff. Feb. 26, 1996;—Am. 2003, Act 316, Imd. Eff. Jan. 12, 2004.

117.4m Ordinance regulating recreational trailway; posting; violation as municipal civil infraction; penalty.

Sec. 4m. (1) An ordinance regulating a recreational trailway is not effective unless it is posted and maintained near each gate or principal entrance to the trailway.

(2) The operation of a vehicle on a recreational trailway at a time, in a place, or in a manner prohibited by an ordinance is a municipal civil infraction, whether or not so designated by the ordinance. A civil fine ordered for a municipal civil infraction described in this subsection shall not exceed the maximum amount of a fine provided by the ordinance or $500.00, whichever is less. An act or omission described in this subsection is not a municipal civil infraction if that act or omission constitutes a violation or crime that section 4 *l* prohibits an ordinance from designating as a municipal civil infraction.

History: Add. 1994, Act 89, Eff. Oct. 1, 1994.

117.4n Medical facility for public purpose; establishment, operation, or maintenance by private nonprofit corporation.

Sec. 4n. Each city may in its charter provide for the city or 1 or more of its public corporations to become a member or joint owner in an enterprise with a private nonprofit corporation to create a separate private nonprofit corporation that will establish, operate, or maintain a medical facility for a public purpose.

History: Add. 1998, Act 445, Imd. Eff. Dec. 30, 1998.

117.4o Formation of nonprofit corporation by city.

Sec. 4o. (1) The legislative body of a city may by ordinance or resolution authorize the formation of a nonprofit corporation under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to 450.3192. A nonprofit corporation formed under this section may be organized only for purposes that are valid public purposes for cities in this state.

(2) Except as otherwise provided in this subsection, a nonprofit corporation formed under subsection (1) is subject to all local, state, and federal laws or ordinances that apply to the city that authorized its formation. A nonprofit corporation formed under subsection (1) is not subject to the municipal finance act, 1943 PA 202, MCL 131.1 to 139.3, or its successor act.

(3) A nonprofit corporation formed under subsection (1) is a public body for the purposes of the Michigan campaign finance act, 1976 PA 388, MCL 169.201 to 169.282.

History: Add. 2001, Act 37, Imd. Eff. July 11, 2001.

117.4p City with population more than 600,000 or discharge of $1,000,000,000.00 in pension liabilities; defined benefit plan; retirement benefits for employees hired after July 1, 2023; health care insurance benefits; certification of compliance; definitions.

Sec. 4p. (1) Subject to section 4u, for a city with a population of more than 600,000 or that has discharged $1,000,000,000.00 of pension liabilities in bankruptcy, or both, that provides a defined benefit plan as part of a system of compensation under section 4i, all of the following apply:

(a) Except as otherwise provided in a plan for adjustment, the calculation of a pension benefit under the defined benefit plan must only include base pay. This subdivision does not apply to years of service accrued before January 1, 2015.

(b) Except as otherwise provided in a plan for adjustment, the annual pension benefit must not include an additional payment based solely on the rate of investment return earned on the retirement system's assets. This subdivision does not prohibit the fulfillment of rights and benefits earned under a retirement system agreed to in a plan for adjustment. As used in this subdivision, a "retirement system" means a public employee retirement system established by a city described in this subsection.

(2) Subject to section 4u and except as otherwise provided in a plan for adjustment, for a city with a population of more than 600,000 or that has discharged $1,000,000,000.00 of pension liabilities in

bankruptcy, or both, that provides retirement benefits for employees first hired after July 1, 2023 as part of a system of compensation under section 4i, either of the following applies for the employees first hired after July 1, 2023:

(a) The city may offer retirement plans so long as the city does not contribute more than 7% of the employee's base pay to an appropriate retirement account.

(b) The city may offer the same retirement plan as provided in a plan for adjustment.

(3) Subject to section 4u, for a city with a population of more than 600,000 or that has discharged $1,000,000,000.00 of pension liabilities in bankruptcy, or both, that provides retirement health care insurance benefits for new employees after July 1, 2023 as part of a system of compensation under section 4i, the city shall not contribute more than 2% of the employee's base pay or the percentage a qualified participant's employer contributes on behalf of a qualified participant under section 68b(1) of the state employees' retirement act, 1943 PA 240, MCL 38.68b, whichever percentage is greater, to an appropriate tax-deferred account.

(4) Not later than January 1, 2024, and each January 1 after 2024, for a city with a population of more than 600,000 or that has discharged $1,000,000,000.00 of pension liabilities in bankruptcy, or both, that provides retirement benefits as part of a system of compensation under section 4i, the city or a retirement system established by the city, as applicable, shall submit a certification of its compliance with this section to the financial review commission created under the Michigan financial review commission act, 2014 PA 181, 141.1631 to 141.1643.

(5) As used in this section:

(a) "Base pay" means the remuneration paid an employee on account of the employee's services rendered to a city described in this section. Base pay does not include any of the following:

(*i*) Payment for overtime services.

(*ii*) Remuneration paid in lieu of accumulated sick leave.

(*iii*) Remuneration received as a bonus.

(*iv*) Payment for accrued vacation pay.

(*v*) One-time lump-sum payments.

(*vi*) The cost of fringe benefits, including, but not limited to, a medical benefit plan.

(b) "Medical benefit plan" means that term as defined in section 2 of the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.562.

(c) "Member" means a member of a defined benefit plan established by a city described in subsection (1).

(d) "Plan for adjustment" means a plan for the adjustment of debts entered and approved by a federal bankruptcy court.

(e) "Retirement health care insurance benefit" means hospitalization and medical insurance, dental coverage, vision coverage, and any other health care insurance provided for a retirant or dependent of a retirant under a system of compensation that includes retirement benefits established under section 4i.

History: Add. 2014, Act 183, Imd. Eff. June 20, 2014;—Am. 2017, Act 214, Imd. Eff. Dec. 20, 2017.

117.4q Administrative hearings bureau; establishment; administrative hearings; procedures; appeal; effect of nonpayment of civil fine or costs; "person" defined.

Sec. 4q. (1) A city that has a population of 7,500 or more and is located in any county, or a city that has a population of 3,300 or more and is located in a county that has a population of 1,500,000 or more, may establish an administrative hearings bureau to adjudicate and impose sanctions for violations of the charter or ordinances designated in the charter or ordinance as a blight violation. The bureau may accept admissions of responsibility for blight violations. Pursuant to a schedule of civil fines and costs, the bureau may collect civil fines and costs for blight violations.

(2) The expense of the operation of an administrative hearings bureau shall be borne by the city establishing the bureau.

(3) An administrative hearings bureau shall not have jurisdiction over criminal offenses, traffic civil infractions, municipal civil infractions, or state civil infractions. The bureau and its hearing officers shall not have the authority to impose a penalty of incarceration and may not impose a civil fine in excess of $10,000.00. This section does not authorize a proceeding against a foreclosing governmental unit as defined under section 78 of the general property tax act, 1893 PA 206, MCL 211.78, or an authority created under the land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774. The city may waive a fine for a blight violation at an owner-occupied dwelling for a first time offender of a blight ordinance, if the offender has corrected the circumstances for the violation.

(4) A city that establishes an administrative hearings bureau under this section shall establish by ordinance the jurisdiction of the bureau for adjudicating alleged blight violations, making determinations of

responsibility, and imposing sanctions upon those found responsible for a violation. The city may designate only a violation of any of the following types of ordinances as a blight violation:

(a) Zoning.

(b) Building or property maintenance.

(c) Solid waste and illegal dumping.

(d) Disease and sanitation.

(e) Noxious weeds.

(f) Vehicle abandonment, inoperative vehicles, vehicle impoundment, and municipal vehicle licensing.

(g) Right-of-way signage. For purposes of this subdivision, right-of-way signage violation means the placement of signage in a right-of-way without a proper permit from the city.

(h) An ordinance that is substantially the same as sections 138 to 142 of the housing law of Michigan, 1917 PA 167, MCL 125.538 to 125.542.

(5) To initiate a proceeding for a blight violation, the city shall issue and serve upon an alleged violator a written violation notice on which an authorized local official records the occurrence or existence of 1 or more blight violations by the person cited and which directs the named person to pay a civil fine for the violation or appear at the administrative hearings bureau as provided in this section. A violation notice to appear at an administrative hearings bureau shall be treated as made under oath if the violation alleged in the notice occurred in the presence of the authorized local official signing the violation notice and if the notice contains the following statement immediately above the date and signature of the official: "I declare under the penalties of perjury that the statements above are true to the best of my information, knowledge, and belief.". An authorized local official may issue a violation notice to appear if, based upon investigation, the official has reasonable cause to believe that the person is responsible for a blight violation and if the city attorney or an assistant city attorney approves in writing the issuance of the violation notice.

(6) If a city has a rental inspection program with which a landlord must register in order to rent premises for residential purposes and if a landlord of premises rented in the city for residential purposes is registered with the city's rental inspection program, the city shall not issue a blight violation notice during an inspection of the premises unless either of the following occurs:

(a) The landlord is given a written correction notice of the violation and a reasonable opportunity to correct the circumstances before a reinspection of the premises or a date specified in the notice.

(b) The violation is a direct result of the landlord's action or inaction and creates an emergency that presents an immediate risk of harm to people or damage to property including, but not limited to, a flooded basement or premises without heat.

(7) A city that does not have a rental inspection program, or does not require a landlord to register as part of a rental inspection program, shall not issue a blight violation notice to a landlord of premises rented in the city for residential purposes during an inspection of the premises unless either of the following occurs:

(a) The landlord is given a written correction notice of the violation and a reasonable opportunity to correct the circumstances before a reinspection of the premises or a date specified in the notice.

(b) The violation is a direct result of the landlord's action or inaction and creates an emergency that presents an immediate risk of harm to people or damage to property, including, but not limited to, a flooded basement or premises without heat.

(8) The person named in the violation notice shall appear on or before the time specified in the violation notice and may respond to the allegations in the notice, as follows:

(a) If the alleged violator wishes to admit responsibility for the blight violation, the person may do so by appearing in person, by representation, or by mail. If appearance is made by representation or mail, the administrative hearings bureau may accept the admission as though the person personally appeared. Upon acceptance of the admission, a hearing officer may order any of the sanctions permitted under this section.

(b) If the alleged violator wishes to deny responsibility for the blight violation, or admit responsibility with an explanation, the person may do so by appearing in person on the date scheduled for the administrative hearing for the purpose of adjudicating the alleged violation.

(c) If the alleged violator fails to appear, a decision and order of default may be entered.

(9) If an admission of responsibility is not made and the civil fine and costs, if any, prescribed by charter or ordinance for the violation are not paid at the administrative hearings bureau, and the alleged violator fails to appear at a hearing scheduled in accordance with this section, a final decision and order of responsibility in the amount of the prescribed civil fine and costs may be issued by the administrative hearings bureau.

(10) The city establishing an administrative hearings bureau shall establish rules and procedures for an alleged violator to set aside the entry of a decision and order of default.

(11) The ordinance establishing the bureau shall provide for adjudicatory hearings by hearing officers. Each hearing officer shall be an attorney licensed to practice law in this state for at least 5 years. Hearing

officers shall be appointed in a manner consistent with the charter of the city for the appointment of other municipal officers or employees and shall only be removed for reasonable cause. Before conducting administrative adjudication proceedings, administrative hearing officers shall successfully complete a formal training program which includes all of the following:

(a) Instruction on the rules of procedure of the administrative hearings that they will conduct.

(b) Orientation to each subject area of the ordinance violations that they will adjudicate.

(c) Observation of administrative hearings.

(d) Participation in hypothetical cases, including ruling on evidence and issuing final orders.

(e) The importance of impartiality in the conduct of the administrative hearing and adjudication of the violation.

(f) Instructions on the preparation of a record that is adequate for judicial review.

(12) The authority and duties of a hearing officer shall include all of the following:

(a) Hearing testimony and accepting evidence that is relevant to the existence of the blight violation.

(b) Issuing subpoenas directing witnesses to appear and give relevant testimony at the hearing, upon request of a party or a party's attorney.

(c) Preserving and authenticating the record of the hearing and all exhibits and evidence introduced at the hearing.

(d) Issuing a determination, based upon the evidence presented at the hearing, whether a blight violation exists. The determination shall be in writing and shall include written findings of fact, a decision, and an order. The city shall have the burden of establishing the responsibility of the alleged violator by a preponderance of the evidence. Unless the burden is met, the matter shall be dismissed. A decision and an order shall not be made except upon consideration of the record as a whole or a portion of the record as may be cited by any party to the proceeding and as supported by and in accordance with the competent, material, and substantial evidence. A decision and order finding the alleged violator responsible for the violation shall include the civil fine, if any, or any action with which the violator must comply, or both.

(e) Imposing reasonable and proportionate sanctions consistent with applicable ordinance provisions and assessing costs upon a finding that the alleged violator is responsible for the alleged violation. The maximum monetary civil fine allowed under this section excludes costs of enforcement or costs imposed to secure compliance with the city's ordinances and is not applicable to enforce the collection of any tax imposed and collected by the city.

(13) In addition to fines and costs imposed under subsection (12), the hearing officer shall impose a justice system assessment of $10.00 for each blight violation determination. Upon payment of the assessment, the city shall transmit the assessment collected to the state treasury to be deposited into the justice system fund created in section 181 of the revised judicature act of 1961, 1961 PA 236, MCL 600.181.

(14) A party shall be provided with the opportunity for a hearing during which they may be represented by counsel, present witnesses, and cross-examine witnesses. A party may request the hearing officer to issue subpoenas to direct the attendance and testimony of relevant witnesses and the production of relevant documents. Hearings shall be scheduled with reasonable promptness, except that for hearings scheduled in all nonemergency situations the alleged violator if he or she requests shall have at least 14 days after service of process to prepare for the hearing. For purposes of this subsection, "nonemergency situation" means any situation that does not reasonably constitute a threat to the public interest, safety, or welfare. If service is provided by first-class mail, the 14-day period begins to run on the day that the notice is deposited in the mail.

(15) In an administrative hearing under this section, the rules of evidence as applied in a nonjury civil case in circuit court shall be followed as far as practicable, but the hearing officer may admit and give probative effect to evidence of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs. Irrelevant, immaterial, or unduly repetitious evidence may be excluded. Effect shall be given to the rules of privilege recognized by law. Objections to offers of evidence may be made and shall be noted in the record. Subject to these requirements, the hearing officer, for the purpose of expediting hearings and when the interests of the parties will not be substantially prejudiced thereby, may provide in an administrative hearing or by rule for submission of all or part of the evidence in written form.

(16) Any final decision by a hearing officer that a blight violation does or does not exist constitutes a final decision and order for purposes of judicial review and may be enforced in the same manner as a judgment entered by a court of competent jurisdiction.

(17) A party may file an appeal within 28 days after entry of the decision and order by the hearing officer. An appeal of a final decision and order of an administrative hearing officer is to the circuit court.

(18) An alleged violator who appeals a final decision and order to circuit court shall post with the administrative hearings bureau, at the time the appeal is taken, a bond equal to the fine and costs imposed. A party who has paid the fine and costs is not required to post a bond. If a party who has posted a bond fails to

comply with the requirements of supreme court rules for an appeal to the circuit court, the appeal may be considered abandoned, and the bureau may dismiss the appeal on 7 days' notice to the parties. The administrative hearings bureau must promptly notify the circuit court of a dismissal, and the circuit court shall dismiss the claim of appeal. If the appeal is dismissed or the decision and order are affirmed, the administrative hearings bureau may apply the bond to the fine and costs. An appeal by the city must be asserted by the city's attorney and a bond is not required.

(19) An appeal to circuit court shall be a review by the court of the certified record provided by the administrative hearings bureau. Pending appeal, and subject to the bond requirement under subsection (18), the hearing officer may stay the order and any sanctions or costs imposed. Once an appeal is filed, and subject to the bond requirement under subsection (18), the court may stay the order and any sanctions or costs imposed. The court, as appropriate, may affirm, reverse, or modify the decision or order, or remand the matter for further proceedings. The court shall hold unlawful and set aside a decision or order of the hearing officer if substantial rights of an alleged violator have been prejudiced because the decision or order is any of the following:

(a) In violation of the constitution or a statute, charter, or ordinance.

(b) In excess of the authority or jurisdiction of the agency as conferred by statute, charter, or ordinance.

(c) Made upon unlawful procedure resulting in material prejudice to a party.

(d) Not supported by competent, material, and substantial evidence on the whole record.

(e) Arbitrary, capricious, or clearly an abuse or unwarranted exercise of discretion.

(f) Affected by other substantial and material error of law.

(20) Except as otherwise provided in subsection (21) or (22), if the civil fine and costs imposed against a person under this section are $1,000.00 or more and the person does not pay the civil fine and costs imposed within 30 days after a final decision and order of the hearing officer or of the circuit court under this section, the person is subject to the following:

(a) For a first violation, the person is responsible for a state civil infraction and may be ordered to pay a civil fine of not more than $500.00.

(b) For a second violation, the person is guilty of a misdemeanor punishable by imprisonment for not more than 93 days or a fine of not more than $500.00, or both.

(c) For a third or subsequent violation, the person is guilty of a misdemeanor and may be imprisoned for not more than 1 year and shall be fined $500.00.

(21) Subsection (20) does not apply to any of the following that becomes the owner of a property after foreclosure or after taking a deed in lieu of foreclosure:

(a) A government-sponsored enterprise. As used in this subdivision, "government-sponsored enterprise" means that term as defined in 2 USC 622(8), or the Michigan state housing development authority created under the state housing development authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

(b) A financial institution. As used in this subdivision, "financial institution" means that term as defined in section 4(c) of the Michigan strategic fund act, 1984 PA 270, MCL 125.2004.

(c) A mortgage servicer, as that term is defined in section 1a of the mortgage brokers, lenders, and servicers licensing act, 1987 PA 173, MCL 445.1651a, that is subject to the mortgage brokers, lenders, and servicers licensing act, 1987 PA 173, MCL 445.1651 to 445.1684.

(d) A credit union service organization that is organized under the laws of this state or the United States.

(22) Subsection (20) does not apply to the owner of a property if, at the time the civil fine and costs are imposed against the owner, the owner had filed a principal residence exemption affidavit as provided under section 7cc of the general property tax act, 1893 PA 206, MCL 211.7cc, certifying that the property is owned and occupied as a principal residence by that owner.

(23) An entity described in subsection (21) that becomes the owner of a property after foreclosure or after taking a deed in lieu of foreclosure shall adhere to all ordinances relating to vacant property or blight violations adopted by the city that established an administrative hearings bureau under this section.

(24) As used in subsection (20), "person" means an individual, partnership, corporation, limited liability company, association, or other legal entity. Person includes the partners or members of a firm, a partnership, or an association and the officers of a corporation.

History: Add. 2003, Act 316, Imd. Eff. Jan. 12, 2004;—Am. 2008, Act 51, Imd. Eff. Mar. 28, 2008;—Am. 2013, Act 188, Eff. Mar. 14, 2014.

117.4r Nonpayment of civil fine or costs or installment payment by defendant; lien; recording; enforcement; priority; collection of judgment; duration of lien; default; limitation on commencement of enforcement action.

Sec. 4r. (1) If a defendant does not pay a civil fine or costs or an installment payment ordered by a hearing officer under section 4q within 30 days after the date on which payment is due for a blight violation involving the use or occupation of land or a building or other structure, the city may obtain a lien against the land, building, or structure involved in the violation by recording a copy of the final decision and order requiring payment of the fines or costs with the register of deeds for the county in which the land, building, or structure is located. The order shall not be recorded unless a legal description of the property is incorporated in or attached to the order. The lien is effective immediately upon recording of the order with the register of deeds.

(2) An order recorded with a register of deeds under subsection (1) constitutes notice of the pendency of the lien. In addition, the city shall send a written notice of the lien by first-class mail to the owner of record of the land, building, or structure at the owner's last known address.

(3) A lien under this section may be enforced and discharged by the city in the manner prescribed by its charter, in the same manner as are liens for delinquent taxes under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, or by an ordinance duly passed by the governing body of the city. However, property that is exempt as a principal residence under section 7cc of the general property tax act, 1893 PA 206, MCL 211.7cc, is not subject to forfeiture, foreclosure, and sale under sections 78 to 79a of the general property tax act, 1893 PA 206, MCL 211.78 to 211.79a, for nonpayment of a civil fine or costs or an installment ordered under section 4q unless the property is also subject to forfeiture, foreclosure, and sale under sections 78 to 79a of the general property tax act, 1893 PA 206, MCL 211.78 to 211.79a, for delinquent property taxes.

(4) A lien created under this section has priority over any other lien unless 1 or more of the following apply:

(a) The other lien is a lien for taxes or special assessments.

(b) The other lien is created before May 1, 1994.

(c) Federal law provides that the other lien has priority.

(d) The other lien is recorded before the lien under this section is recorded.

(5) A city may institute an action in circuit court for the collection of a judgment imposed by an order under section 4q for a blight violation. However, an attempt by the city to collect the judgment by any process does not invalidate or waive the lien upon the land, building, or structure.

(6) A lien under this section expires 10 years after a copy of the order imposing a fine or costs, or both, is recorded, unless within that time an action to enforce the lien is commenced.

(7) A default in the payment of a civil fine or costs under section 4q or an installment of the fine or costs may be collected by a means authorized for the enforcement of a court judgment under chapter 40 or 60 of the revised judicature act of 1961, 1961 PA 236, MCL 600.4001 to 600.4065, and MCL 600.6001 to 600.6098.

(8) A city shall not commence an action to enforce a lien under this section if the city has commenced an action for a writ of garnishment with respect to the unpaid fine, costs, or payment under section 4027 of the revised judicature act of 1961, 1961 PA 236, MCL 600.4027.

History: Add. 2003, Act 317, Imd. Eff. Jan. 12, 2004;—Am. 2008, Act 51, Imd. Eff. Mar. 28, 2008;—Am. 2013, Act 192, Eff. Mar. 14, 2014.

117.4s Population more than 600,000; chief financial officer.

Sec. 4s. (1) Notwithstanding a charter provision or ordinance to the contrary, a city with a population of more than 600,000 shall establish the position of chief financial officer. The mayor of the city shall appoint the chief financial officer subject to the approval of the governing body of the city, and, if applicable, the financial review commission created in the Michigan financial review commission act. The chief financial officer shall have substantial experience with sophisticated municipal financial transactions, complex multidimensional governmental restructurings, governmental labor relations, health care benefits or pension matters, and local government management with governmental units having aggregate revenues of $250,000,000.00 or more. Nothing in this section shall be construed to prevent a city with a population of more than 600,000 from adopting a charter provision or ordinance providing the responsibilities for a chief financial officer that are not inconsistent with this section.

(2) The chief financial officer appointed under subsection (1) shall report to the mayor and do all of the following:

(a) Supervise all financial and budget activities of the city.

(b) Coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city. If applicable, the functions and responsibilities of the chief financial officer shall be subject to approval by the financial review commission created in the Michigan financial review commission act.

(c) Certify that the city's annual budget complies with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, and, if applicable, submit that certification to the financial review commission created in the Michigan financial review commission act.

(d) Submit in writing to the mayor and the governing body of the city his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the city will have on the city's annual budget and its 4-year financial plan described in section 4t.

(3) The local elected and appointed officials and employees of the city shall promptly and fully provide financial information requested by the chief financial officer.

History: Add. 2014, Act 182, Imd. Eff. June 20, 2014.

117.4t Population more than 600,000; requirements; appropriations.

Sec. 4t. (1) Notwithstanding a charter provision or ordinance to the contrary, for a city with a population of more than 600,000, all of the following apply:

(a) The city and its officers, employees, agents, and contractors shall comply with the Michigan financial review commission act, if applicable.

(b) For each fiscal year beginning after the effective date of the amendatory act that added this section, the city shall adopt a financial plan covering that fiscal year and the next 3 fiscal years. If a 2-year budget is in effect for the city under section 21 of the local financial stability and choice act, 2012 PA 436, MCL 141.1561, the financial plan must be consistent with the 2-year budget. The financial plan shall be proposed by the mayor and approved by the governing body of the city. If applicable, a financial plan must be approved by the financial review commission created in the Michigan financial review commission act before it takes effect. A financial plan shall include, but not be limited to, all of the following information for each of the 4 fiscal years covered by the financial plan:

(*i*) A projection of all revenues and expenditures of the city for each fiscal year, including debt service.

(*ii*) A projection of cash flow for each fiscal year.

(*iii*) A schedule of projected capital commitments for each fiscal year.

(*iv*) Measures to assure that projected employment levels, collective bargaining agreements, and other employee costs are consistent with projected expenditures and available revenue.

(*v*) Measures to assure compliance with mandates under state and federal law consistent with projected expenditures and available revenue.

(*vi*) Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both.

(*vii*) A statement of significant assumptions and methods of estimation used for projections included in the financial plan.

(*viii*) Any other information the mayor, governing body, or chief financial officer of the city considers appropriate.

(c) A financial plan adopted under subdivision (b) shall comply with all of the following requirements:

(*i*) Projected revenues and expenditures for each fiscal year covered by the financial plan shall result in a balanced budget according to generally accepted accounting principles, including compliance with the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

(*ii*) Include contributions necessary to assure that pension systems for employees and retirees of the city are adequately funded.

(*iii*) Provide for the issuance of or incurring of debt by the city only in compliance with the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, and the Michigan financial review commission act, if applicable.

(*iv*) Provide for the payment in full of debt service on all debt issued or incurred by or on behalf of the city.

(*v*) Provide for operations of the city to be conducted with projected cash resources based upon projected cash flow for each fiscal year.

(*vi*) Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for the fiscal year.

(*vii*) For each fiscal year, provide for the elimination of any deficit incurred in the prior fiscal year according to generally accepted accounting principles.

(*viii*) Rely upon revenue and expenditure projections based upon reasonable and appropriate assumptions and methods of estimation.

(*ix*) Rely upon cash flow projections based upon reasonable and appropriate assumptions as to sources and uses of cash, including timing.

(d) The city shall hold a revenue estimating conference in the second week of September and in the third week of February of each year. A revenue estimating conference shall be subject to all of the following:

(*i*) The principals of a conference shall be the chief financial officer of the city, the state treasurer or his or her designee from within the department of treasury, and a person affiliated with another public entity, including a state institution of higher education, with experience in economic forecasting and revenue projection selected by the chief financial officer of the city and the state treasurer.

(*ii*) A conference shall establish an official economic forecast of major variables of the national, state, and local economies. A conference also shall establish a forecast of anticipated revenues of the city as the conference determines.

(*iii*) The official forecast of economic and revenue variables of the conference shall be determined by consensus among the conference principals and shall be for the fiscal year in which the conference is being held and the succeeding 2 fiscal years. The conference also shall forecast general fund revenue trendline projections for the city for an additional 2 fiscal years. Conference forecasts of revenues and expenditures shall be based upon the assumption that current law and administrative procedures will remain in effect for the forecast period.

(*iv*) The conference may request and shall receive from officers, departments, agencies, and authorities of the city the assistance and data needed to enable the conference to fulfill its duties.

(*v*) The principals of the conference shall determine procedures to be used by the conference including procedures for conference sessions and presentations by persons, except that any final action establishing an official forecast shall require the unanimous support of all principals. A conference shall complete its work within a period of not more than 5 days unless extended by consensus of the principals.

(*vi*) Meetings of a conference are subject to the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(*vii*) A principal shall preside over conference sessions, convene conference sessions, and specify topics to be included on the conference agenda. The responsibility of presiding over sessions of the conference shall be rotated annually among the principals, with the initial chairperson being elected by the principals. The chairperson presiding over a conference is responsible for setting the conference date and preparing and distributing the necessary documents before the conference, including comparisons between alternative information where a comparison is warranted. Upon the written request of a principal, a conference shall be convened by the chairperson.

(*viii*) A writing prepared, owned, used, in the possession of, or retained by the conference in the performance of an official function is subject to the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(*ix*) A conference shall distribute its economic and revenue forecasts to the mayor of the city, the governing body of the city, and, if subject to the Michigan financial review commission act, the financial review commission. The city shall publish the forecasts on its website.

(*x*) If the city is subject to the Michigan financial review commission act, the city may be required to amend its revenue estimates pursuant to an order or directive of the financial review commission created in the Michigan financial review commission act.

(e) The mayor of the city may veto a line item appropriating money in an appropriations ordinance. The portion of the appropriation approved is effective. The item disapproved is void unless reauthorized according to the procedures prescribed in charter or law for the adoption of ordinances over a veto.

(f) If, during a fiscal year, expenditures for the city exceed revenues, the mayor may, subject to the approval of the governing body of the city, authorize by executive order the reduction of line-item expenditures during that fiscal year.

(g) Beginning on the effective date of the amendatory act that added this subdivision, the city shall post on its website copies of both of the following:

(*i*) Within 30 days of the contract award, each contract entered into by the city during each fiscal year.

(*ii*) All contracts in which the city is a party that are in effect during each fiscal year.

(2) For the fiscal year ending September 30, 2015, $100,000.00 is appropriated from the general fund/general purpose to the department of treasury to administer the provisions of this section and section 4s.

History: Add. 2014, Act 182, Imd. Eff. June 20, 2014.

117.4u Retirement benefits subject to protecting local government retirement and benefits act; "retirement benefit" defined.

Sec. 4u. If a city provides retirement benefits as part of a system of compensation under section 4i, the retirement benefits are subject to the protecting local government retirement and benefits act. As used in this section, "retirement benefit" means that term as defined in section 3 of the protecting local government retirement and benefits act.

History: Add. 2017, Act 214, Imd. Eff. Dec. 20, 2017.

117.5 Prohibited powers.

Sec. 5. (1) A city does not have power to do any of the following:

(a) To increase the rate of taxation now fixed by law, unless the authority to do so is given by a majority of the electors of the city voting at the election at which the proposition is submitted, but the increase in any case shall not be in an amount as to cause the rate to exceed 2%, except as provided by law, of the assessed value of the real and personal property in the city.

(b) To submit to the electors a charter more often than once in every 2 years, nor unless the charter is filed with the city clerk 60 days before the election, but this provision shall not apply to the submission and resubmission of charters of cities that may be incorporated under this act until they shall have first adopted a charter. Where a city submits to the electors a charter and the charter is adopted by the electors, and the city has operated under the charter, which charter has not, at the time it is adopted, been on file with the city clerk 60 days, then the legislative body of the city, upon its giving the notice of election as provided in the charter, may resubmit to the electors, at a special or general election, the charter, which, if adopted by the electors, shall be considered operative and effective as of the date of the first submission and adoption. The charter shall not be resubmitted unless 60 days have elapsed between the date of the filing of the charter and the date of the election at which the charter is resubmitted.

(c) To call more than 2 special elections within 1 year. This prohibition does not apply to elections that may be held in the submission and resubmission of charters of cities that may be incorporated under this act until they have first adopted a charter, and does not apply to elections that may be held in the resubmission of a charter once adopted as provided in subdivision (b).

(d) To decrease the salary of a municipal judge after his or her election or appointment, or during the judge's term of office, notwithstanding any charter provision to the contrary. The term of a public official shall not be shortened or extended beyond the period for which the official is elected or appointed, unless he or she resigns or is removed for cause, if the office is held for a fixed term.

(e) To adopt a charter or an amendment to the charter unless approved by a majority of the electors voting on the question; to sell a park, cemetery, or any part of a park or cemetery, except where the park is not required under an official master plan of the city; to engage in a business enterprise requiring an investment of money in excess of 10 cents per capita; or to authorize an issue of bonds except bonds issued in anticipation of the collection of taxes actually levied and uncollected or for which an appropriation has been made; bonds that the city is authorized by its charter to issue as part of its budget system, to an amount that in any year, together with the taxes levied for the same year, will not exceed the limit of taxation authorized by law; special assessment bonds; bonds for the city's portion of local improvements; refunding bonds; emergency bonds as defined by this act; and bonds that the legislative body is authorized by specific statute to issue without vote of the electors, unless approved by a majority of the electors voting on the question at a general or special election. In addition, a city that now has, or may subsequently have, a population of 750,000 persons or more may issue bonds, upon resolution of its governing body, without prior approval of the electors, which the city is authorized by its charter to issue as part of its budget system, to an amount that in any year, together with the ad valorem taxes levied for the same year, exclusive of debt service taxes or taxes levied pursuant to other laws, will not exceed 2-1/2% of the assessed value of the real and personal property in the city, this limitation to supersede and take the place of any contrary language in any existing city charter. For the purposes of this subdivision only, the assessed value of real and personal property in any city shall include the assessed value equivalent of money received during the city's fiscal year under the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921. The assessed value equivalent shall be calculated by dividing the money received by the city's millage rate for the fiscal year. Notwithstanding the former provisions of this subdivision requiring approval by 3/5 of the electors voting on the question as a prerequisite to the exercise of certain powers, these powers may be exercised if approved by a majority of the electors voting on the question at a general or special election held on or after April 1, 1966.

(f) To make a contract with, or give an official position to, one who is in default to the city.

(g) To issue bonds without providing a sinking fund to pay them at maturity, except as provided in section 4g(1), but sinking funds shall not be required in the case of serial bonds that fall due annually. Bonds, whether authorized under this act or any other act, except refunding bonds, revenue bonds, motor vehicle highway fund bonds, rehabilitation bonds, judgment bonds, bonds or other obligations issued to fund an operating deficit of a city, bonds or other obligations to pay premiums or to establish funds to self-insure for losses as authorized by the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, bonds the issuance of which has been approved by the voters, and bonds issued to comply with an order of a court of competent jurisdiction shall not be issued by a city unless notice of the issuance of the bonds is published once in a newspaper of general circulation in the city at least 45 days before the issuance of the bonds, within which period a petition may be filed with the legislative body signed by not less than 10% or 15,000 of the registered electors in the city, whichever is less, in which event the legislative body shall submit the question of the issuance of the bonds to the electors of the city, at a regular or special election in the city. The bonds shall not be issued unless a majority vote of the electors voting on the issuance vote in favor of issuing the bonds. The notice of intent to issue bonds shall state the maximum amount of the bond issue, the purpose of the bond issuance, source of payment, right of referendum on the issuance of the bonds, and other information as the legislative body determines to be necessary to adequately inform the electors and all other interested persons of the nature of the issue and of their rights with respect to the issue.

(h) To repudiate a debt by a change in its charter or by consolidation with any other municipality.

(i) To submit a franchise to the electors at a special election, unless the expense of holding the election, as determined by the legislative body, is paid in advance to the city treasurer by the grantee in the franchise.

(2) Beginning on the effective date of the amendatory act that added this subsection, a city shall not adopt a city charter or ordinance that includes any minimum staffing requirement for city employees. Except as otherwise provided in this subsection, any provision in a city charter or ordinance adopted on or after the effective date of the amendatory act that added this subsection that contains a minimum staffing requirement for city employees is void and unenforceable.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—CL 1915, 3308;—Am. 1917, Act 6, Imd. Eff. Mar. 9, 1917;—Am. 1919, Act 240, Eff. Aug. 14, 1919;—Am. 1923, Act 119, Imd. Eff. May 2, 1923;—Am. 1929, Act 126, Eff. Aug. 28, 1929;—CL 1929, 2241;—Am. 1935, Act 239, Imd. Eff. June 8, 1935;—Am. 1941, Act 60, Eff. Jan. 10, 1942;—Am. 1948, 1st Ex. Sess., Act 44, Eff. Aug. 20, 1948;—CL 1948, 117.5;—Am. 1949, Act 207, Eff. Sept. 23, 1949;—Am. 1965, Act 65, Eff. Mar. 31, 1966;—Am. 1966, Act 32, Imd. Eff. May 17, 1966;—Am. 1966, Act 350, Imd. Eff. Dec. 21, 1966;—Am. 1969, Act 41, Imd. Eff. July 17, 1969;—Am. 1972, Act 8, Imd. Eff. Feb. 17, 1972;—Am. 1973, Act 81, Imd. Eff. July 31, 1973;—Am. 1976, Act 178, Imd. Eff. June 30, 1976;—Am. 1981, Act 81, Imd. Eff. July 1, 1981;—Am. 1988, Act 268, Imd. Eff. July 15, 1988;—Am. 2002, Act 201, Imd. Eff. Apr. 29, 2002;—Am. 2011, Act 133, Imd. Eff. Sept. 13, 2011.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.
The 1911 amendment reads as follows:
"Sec. 5. No city shall have power:
"(a) To lay and collect taxes in a sum in excess of two per centum per annum of the assessed value of the real and personal property in such city;
"(b) To submit to the electors a charter or to resubmit any amendment thereto oftener than once in every two years, nor unless it shall be filed with the city or village clerk ninety days before the election: Provided, however, That this provision shall not apply to the submission and resubmission of charters of cities which may be incorporated under this act until they shall have first adopted a charter;
"(c) To call more than two special elections within one year: Provided, however, That this prohibition shall not apply to elections which may be held in the submission and resubmission of charters of cities which may be incorporated under this act until they shall have first adopted a charter;
"(d) To change the salary or emoluments of any public official after his election or appointment or during his term of office;
"(e) To adopt a charter or any amendment thereto, unless approved by a majority of the electors voting thereon; to sell any property of a value in excess of ten cents per capita according to the last preceding United States census, or any park, cemetery, or any real estate used in carrying on a public utility, or any part thereof, or any property bordering on a water front, or vacate any street or public place leading to a water front, or engage in any business enterprise requiring an investment of money in excess of ten cents per capita, or authorize any issue of bonds except special assessment bonds, refunding bonds, and emergency bonds as defined by this act and bonds that it is annually authorized to issue, unless approved by three-fifths of the electors voting thereon at any general or special election;
"(f) To make any contract with, or give any official position to one who is in default to the city;
"(g) To issue any bonds without providing a sinking fund, to pay them at maturity, but no sinking fund shall be required in the case of serial bonds which fall due annually;
"(h) To repudiate any debt by any change in its charter or by consolidation with any other municipality;
"(i) To submit a franchise to the electors at a special election, unless the expense of holding the election, as determined by the legislative body, shall be paid in advance by the grantee in said franchise to the city treasurer."

117.5a Membership in certain societies not to affect employment.

Sec. 5a. No city shall have power to deny employment to any person for the reason that he is a member of any society which is incorporated under the laws of this state, the membership of which is composed solely of law enforcement officers, unless same is contrary to his oath of office.

History: Add. 1952, Act 225, Eff. Sept. 18, 1952;—Am. 1965, Act 260, Eff. Mar. 31, 1966.

117.5b Code of municipal ordinances; publication.

Sec. 5b. Each city shall have power, whether provided in its charter or not, to codify, recodify and continue in code its municipal ordinances, in whole or in part, without the necessity of publishing the entire code in full. The ordinance adopting the code, as well as subsequent ordinances repealing, amending, continuing or adding to the code, shall be published as required by law. The ordinance adopting the code may amend, repeal, revise or rearrange ordinances or parts of ordinances by reference by title only.

History: Add. 1960, Act 46, Imd. Eff. Apr. 19, 1960.

117.5c Local officers compensation commission; creation; purpose; appointment, qualifications, and terms of members; vacancies; determination of salaries; expenses; meetings; quorum; concurrence of majority required; election of chairperson;

compensation of members; conducting business at public meeting; notice of meeting; availability of certain writings to public; resolution; changing procedure; petition for referendum.

Sec. 5c. In place of a charter provision existing on December 31, 1972 establishing the salaries or the procedure for determining salaries of elected officials, the governing body may establish, by ordinance, the procedure described in this section, in which case the restriction contained in a charter provision with respect to changing salaries during term shall be inapplicable. The ordinance shall provide the following:

(a) A local officers compensation commission is created which shall determine the salaries of each local elected official. The commission shall consist of 5 members in a city of 20,000 population or less and 7 members in a city of over 20,000 population. The members shall be registered electors of the city, appointed by the mayor subject to confirmation by a majority of the members elected and serving in the legislative body. In the case of a 5-member commission, the terms of office shall be 5 years, except that of the members first appointed, 1 each shall be appointed for terms of 1, 2, 3, 4, and 5 years. In the case of a 7-member commission, the terms of office shall be 7 years, except that of the members first appointed, 1 each shall be appointed for terms of 1, 2, 3, 4, 5, 6, and 7 years. The first members shall be appointed within 30 days after the effective date of the ordinance. Members other than the first members shall be appointed before October 1 of the year of appointment. Vacancies shall be filled for the remainder of the unexpired term. A member or employee of the legislative, judicial, or executive branch of government or a member of the immediate family of a member or employee of the legislative, judicial, or executive branch of government shall not be a member of the commission.

(b) The commission shall determine the salary of each local elected official. The determination shall be the salary unless the legislative body, by resolution adopted by 2/3 of the members elected to and serving on the legislative body, rejects it. The determination of the commission shall be effective 30 days following its filing with the city clerk unless rejected by the legislative body. If the determination is rejected, the existing salary shall prevail. The expense allowance or reimbursement paid to elected officials in addition to salary shall be for expenses incurred in the course of city business and accounted for to the city.

(c) The commission shall meet for not more than 15 session days in each odd numbered year and shall make its determination within 45 calendar days after its first meeting. A majority of the members of the commission constitutes a quorum for conducting the business of the commission. The commission shall not take action or make a determination without a concurrence of a majority of the members appointed and serving on the commission. The commission shall elect a chairperson from among its members. As used in this section, "session day" means a calendar day on which the commission meets and a quorum is present. The members of the commission shall not receive compensation, but shall be entitled to actual and necessary expenses incurred in the performance of official duties.

(d) The business which the commission may perform shall be conducted at a public meeting of the commission held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting of the commission shall be given in the manner required by Act No. 267 of the Public Acts of 1976.

(e) A writing prepared, owned, used, in the possession of, or retained by the commission in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(f) The governing body shall implement this section by resolution. After 1 year following the date the ordinance goes into effect the procedure for establishing the compensation of elected officials may be changed by charter amendment or revision.

(g) Not more than 60 days after the effective date of the ordinance, a petition for a referendum on the ordinance may be filed pursuant to the procedure provided in the charter or otherwise by filing a petition with the city clerk containing the signatures of at least 5% of the registered electors of the city on the effective date of the ordinance. The election shall be conducted in the same manner as an election on a charter amendment. If a petition for referendum is filed, a determination of the commission shall not be effective until the ordinance has been approved by the electors.

History: Add. 1972, Act 8, Imd. Eff. Feb. 17, 1972;—Am. 1977, Act 204, Imd. Eff. Nov. 17, 1977;—Am. 1978, Act 106, Imd. Eff. Apr. 6, 1978.

117.5d Locomotives; enforceability of ordinance prescribing maximum speed limit.

Sec. 5d. Notwithstanding any other provision of this act, on and after the effective date of a passenger railroad maximum speed limit specified in a final order of the director of the state transportation department, an ordinance of a city prescribing the maximum speed limit of locomotives used in passenger train operations or of passenger railroad trains shall not be enforceable as to a speed limit other than the limit set forth in the order. However, a city may prescribe the length of the time for which a passenger locomotive or passenger railroad train may obstruct vehicular traffic.

History: Add. 1984, Act 11, Imd. Eff. Feb. 16, 1984.

117.5e Municipal water or sewage system; annual audit; public hearing before proposed rate increase.

Sec. 5e. A municipal water or sewage system established by a city incorporated under this act which serves more than 40% of the population of the state shall:

(a) Be audited annually by an independent auditor designated by the legislative auditor general. No charter provision shall require an annual local audit for the same period. The auditor shall be paid by the system. The results of the annual audit shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws. The annual audit shall be submitted to the governing body of each city, village, or township served by the system and to the legislature before December 1 of each year. Each city, village or township served by the system shall be audited annually by an independent auditor. The auditor shall be paid by that city, village, or township served by the system. The results shall be made available to the public.

(b) Hold at least 1 public hearing at least 120 days before a proposed rate increase is scheduled to take effect. Each hearing shall be conducted in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Notice of the time, date, and place of each hearing shall be given in the manner required by Act No. 267 of the Public Acts of 1976, shall be prominently printed in a daily newspaper of general circulation within the area, and shall be mailed to each city, village, or township served by the system not less than 30 days before each hearing. A final vote by the governing body of the city to implement a proposed rate increase shall not be taken until the hearings provided for in this subdivision are concluded and the results of those hearings are considered by the city's governing body. This section shall not be construed to impair the obligations of a contract. A city shall not be required to hold a public hearing before the establishment of a water or sewer rate which is necessary for debt retirement under outstanding bond obligations.

History: Add. 1978, Act 383, Imd. Eff. July 27, 1978.

117.5f Energy conservation improvements; acquisition or financing; resolution; payment; scope of improvements; acquisition of improvements by contract, lease-purchase agreement, or notes; reports; forms; terms of lease-purchase agreement.

Sec. 5f. (1) The legislative body of a city may provide by resolution for the acquisition or financing of energy conservation improvements to be made to city facilities or infrastructure and may pay for the improvements or the financing or refunding of the improvements from the general fund of the city or from the savings that result from the energy conservation improvements. Energy conservation improvements may include, but are not limited to, heating, ventilating, or air-conditioning system improvements, fenestration improvements, roof improvements, the installation of any insulation, the installation or repair of heating, ventilating, or air-conditioning controls, entrance or exit way closures, information technology improvements associated with an energy conservation improvement, and municipal utility improvements associated with an energy conservation improvement.

(2) The legislative body of a city may acquire, finance, or refund 1 or more of the energy conservation improvements described in subsection (1) by installment contract, which may include a lease-purchase agreement described in subsection (5), or may borrow money and issue notes for the purpose of securing funds for the improvements or may enter into contracts in which the cost of the energy conservation improvements is paid from a portion of the savings that result from the energy conservation improvements. These contractual agreements may provide that the cost of the energy conservation improvements are paid only if the energy savings are sufficient to cover their cost. An installment contract, a lease-purchase agreement described in subsection (5), or notes issued pursuant to this subsection shall extend for a period of time not to exceed 20 years from the date of the final completion of the energy conservation improvements or the useful life of the aggregate energy conservation improvements, whichever is less. Notes issued pursuant to this subsection shall be full faith and credit, tax limited obligations of the city, payable from tax levies and the general fund as pledged by the legislative body of the city. The notes shall be subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. A lease-purchase agreement issued pursuant to this subsection shall not be subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, and shall not be a municipal security or a debt as those terms are defined in that act. This subsection does not limit in any manner the borrowing or bonding authority of a city as provided by law.

(3) Prior to entering into a contract for energy conservation improvements under this section, the

legislative body of a city shall determine the following information and, within 60 days of the completion of the improvements, shall report the following information to the Michigan public service commission:

(a) Name of each facility to which an improvement is made and a description of the energy conservation improvement.

(b) Actual energy consumption during the 12-month period before commencement of the improvement.

(c) Project costs and expenditures, including the total of all lease payments over the duration of the lease-purchase agreement.

(d) Estimated annual energy savings, including projected savings over the duration of the installment contract.

(4) If energy conservation improvements are made as provided in this section, the legislative body of a city shall report to the Michigan public service commission, by July 1 of each of the 5 years after the improvements are completed, only the actual annual energy consumption of each facility to which improvements are made. The forms for the reports required by this section shall be furnished by the Michigan public service commission.

(5) An installment contract described in this section may include a lease-purchase agreement, which may be a multiyear contractual obligation that provides for automatic renewal unless positive action is taken by the legislative body to terminate that contract. Payments under a lease-purchase agreement shall be a current operating expense subject to annual appropriations of funds by the legislative body and shall obligate the legislative body only for those sums payable during the fiscal year of contract execution or any renewal year thereafter. The legislative body may make payments under a lease-purchase agreement from any legally available funds or from a combination of energy or operational savings, capital contributions, future replacement costs avoided, or billable revenue enhancements that result from energy conservation improvements, provided that the legislative body has determined that those funds are sufficient to cover, in aggregate over the full term of the contractual agreement, the cost of the energy conservation improvements. The lease-purchase agreement will terminate immediately and absolutely and without further obligation on the part of the legislative body at the close of the fiscal year in which it was executed or renewed or at such time as appropriated and otherwise unobligated funds are no longer available to satisfy the obligations of the legislative body under the lease-purchase agreement. During the term of the lease-purchase agreement, the legislative body shall be the vested owner of the energy conservation improvements and may grant a security interest in the energy conservation improvements to the provider of the lease-purchase agreement. Upon the termination of the lease-purchase agreement and the satisfaction of the obligations of the legislative body, the provider of the lease-purchase agreement shall release its security interest in the energy conservation improvements.

History: Add. 1984, Act 401, Imd. Eff. Dec. 28, 1984;—Am. 1990, Act 231, Imd. Eff. Oct. 8, 1990;—Am. 2002, Act 201, Imd. Eff. Apr. 29, 2002;—Am. 2016, Act 119, Eff. Aug. 17, 2016.

Compiler's note: For transfer of functions relating to energy policy from the Energy Administration, Department of Commerce, to the Public Service Commission, Department of Commerce, see E.R.O. No. 1986-4, compiled at MCL 460.901 of the Michigan Compiled Laws.

For transfer of powers and duties of the public service commission pertaining to energy conservation improvement reports from the public service commission to the state treasurer, see E.R.O. No. 1996-2, compiled at MCL 445.2001 of the Michigan Compiled Laws.

117.5g Flood control project.

Sec. 5g. The legislative body of a city may provide by resolution for a flood control project financed in any manner that is authorized by statute or charter.

History: Add. 1986, Act 64, Imd. Eff. Mar. 31, 1986.

117.5h Regulation or prohibition of public nudity; "public nudity" defined.

Sec. 5h. (1) Whether or not so provided in its charter, a city may, by ordinance, regulate or prohibit public nudity within city boundaries.

(2) As used in this section, "public nudity" means knowingly or intentionally displaying in a public place, or for payment or promise of payment by any person including, but not limited to, payment or promise of payment of an admission fee, any individual's genitals or anus with less than a fully opaque covering, or a female individual's breast with less than a fully opaque covering of the nipple and areola. A mother's breastfeeding of her baby does not under any circumstances constitute nudity irrespective of whether or not the nipple is covered during or incidental to the feeding.

History: Add. 1991, Act 175, Eff. Mar. 30, 1992;—Am. 1994, Act 313, Imd. Eff. July 21, 1994.

117.5i Snow removal from streets, mosquito abatement, and security services provided by private contractors; special assessment.

Sec. 5i. (1) Whether or not authorized by its charter, a city with a population of more than 600,000 may provide by ordinance a procedure to finance by special assessments the provision by private contractors of snow removal from streets, mosquito abatement, and security services. The ordinance shall authorize the use of petitions to initiate the establishment of a special assessment district. The record owners of not less than 51% of the land comprising the actual special assessment district must have signed the petitions.

(2) A service instituted under this section may be discontinued upon petition by the record owners of 51% of the land comprising the special assessment district.

History: Add. 1994, Act 431, Imd. Eff. Jan. 6, 1995;—Am. 2001, Act 173, Imd. Eff. Dec. 11, 2001;—Am. 2011, Act 287, Imd. Eff. Dec. 21, 2011.

117.5j Sewer separation; authorization; ordinance; special assessment.

Sec. 5j. A city, in order to protect the public health, may adopt an ordinance to provide for the separation of storm water drainage and footing drains from sanitary sewers on privately owned property. The legislative body of a city may determine that the sewer separation authorized by this section is for a public purpose and is a public improvement and may also determine that the whole or any part of the expense of these public improvements may be defrayed by special assessment upon lands benefited by the public improvement or by any other lawful charge. A special assessment authorized by this section shall be considered to benefit only lands where the separation of storm water drainage and footing drains from sanitary sewers occurs.

History: Add. 2002, Act 315, Imd. Eff. May 14, 2002.

117.5k Public-private agreement for public bridge facility; requirements; user fee; scope of section; hearing; definitions.

Sec. 5k. (1) A city may enter into a public-private agreement for a public bridge facility as provided in this section. A public-private agreement must protect the public interest and ensure accountability of the concessionaire to the city.

(2) A city may determine or negotiate the terms and conditions of the public-private agreement to facilitate the research, planning, study, design, development, financing, acquisition, construction, renovation, operation, or maintenance of, or charging of a user fee for, a public bridge facility. A public bridge facility described in this section must be publicly owned and dedicated to public use.

(3) A public-private agreement must include all of the following:

(a) The terms of use and operation of the public bridge facility by a concessionaire for a period of time that the city determines is reasonable and necessary for developing and financing the public bridge facility.

(b) A clause that vests ownership of the public bridge facility with the city or a public entity created by the city under the laws of this state, and provides that title to and ownership of the public bridge facility must not be encumbered by a lien, mortgage, or security interest.

(c) The terms for terminating the public-private agreement.

(d) If the concessionaire will operate the public bridge facility, a reversion clause that states that operation of the public bridge facility will revert to the city when the public-private agreement is terminated.

(e) The restrictions imposed on the concessionaire's ability to sell or transfer its interest in the public bridge facility without the consent of the city.

(4) The public-private agreement may provide for any of the following:

(a) A lease, license, right of entry, or other instrument for the benefit of the concessionaire, as determined by the city to be in the public interest, that may be encumbered by a lien, mortgage, or security interest.

(b) An initial operating term not to exceed 75 years from the date of the completion of construction or commencement of the collection of a user fee, if a user fee is collected, whichever is later.

(c) The terms for renewing the public-private agreement.

(d) The charging and collecting of user fees for the use of the public bridge facility, including the charging and collecting of user fees for different classifications of users.

(e) The use, application, or sharing of all or a portion of collected user fees with the concessionaire.

(f) A schedule, formula, or mechanism for the adjustment of a user fee.

(g) An arbitration, mediation, or other alternative dispute resolution clause.

(5) For the duration of the term of a public-private agreement, all of the following apply:

(a) A right-of-way acquired through condemnation or private acquisition that is used for a public bridge facility must be contributed and remain publicly owned.

(b) Property developed under and subject to the public-private agreement is exempt from all state and local ad valorem and other property taxes that are applicable.

(c) The concessionaire's interest in property developed under and subject to the public-private agreement is exempt from taxation under 1953 PA 189, MCL 211.181 to 211.182.

(6) A user fee may be imposed on the use of a public bridge facility only if the user fee is imposed for the use of a public bridge facility that is constructed or renovated after the effective date of the amendatory act that added this section. If a user fails to pay a user fee, a reasonable late fee may be charged to the user. If a user fails to pay a user fee and a separate billing is required for the payment, a reasonable administrative fee may be charged to the user in addition to any late fee. A user fee, late fee, or administrative fee charged under this subsection is not subject to regulation by any other governmental agency. A city may enforce and collect or authorize a concessionaire or another person to enforce and collect the payment of a user fee, late fee, or administrative fee under this subsection. A user fee may be imposed, charged, and collected by manual, digital, or electronic means, including, but not limited to, video, transponder, tag, camera, or any other similar technology.

(7) If a person fails to pay a user fee as required under subsection (6) within 180 days, the city or a person authorized by the city may bring a civil action against the person to collect the user fee. If the civil action results in a judgment against the person owing the user fee, the person owing the user fee must reimburse the city for all costs of enforcement and collection, including filing and attorney fees.

(8) This section does not affect or otherwise impair either of the following:

(a) A public-private agreement or any other agreement that a city enters into before the effective date of the amendatory act that added this section.

(b) A public-private agreement or any other agreement that the city enters into for the development of a public bridge facility that is outside the scope of this section.

(9) Before a city enters into a public-private agreement that provides for the charging and collecting of user fees for the use of a public bridge facility, the city shall hold a public hearing on the public-private agreement. Before modifying the terms of a public-private agreement that provide for the charging and collecting of user fees for the use of a public bridge facility, a city shall hold a public hearing on the proposed modifications to the public-private agreement. A public hearing held under this subsection must be conducted in accordance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. The public hearing must be conducted so as to provide a reasonable opportunity for public comment, including both oral and written comment. A city that holds a public hearing under this subsection shall make reasonable accommodations to allow for public participation through electronic formats, including the opportunity to view the public hearing through an internet broadcast and to submit comments by digital means.

(10) As used in this section:

(a) "Concessionaire" means a private entity that has entered into a public-private agreement.

(b) "Governmental entity" means an entity created under a state statute and operated for a public purpose.

(c) "Private entity" means an individual, corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, nonprofit entity, or any other nongovernmental business entity.

(d) "Public bridge facility" means a bascule bridge, a roadway or ramp that supports the bascule bridge, and any other equipment, building, structure, parking area, appurtenance, or other real or personal property necessary or desirable for and any future new construction to replace a bascule bridge, a roadway or ramp that supports the bascule bridge, and any other equipment, building, structure, parking area, appurtenance, or other real or personal property necessary or desirable for the bascule bridge that is in existence on the effective date of the amendatory act that added this section. A public bridge facility does not include a bridge or infrastructure directly associated with an international bridge crossing.

(e) "Public-private agreement" means an agreement between a city and a private entity or between a city, a private entity, and 1 or more governmental entities that relates to researching, planning, studying, designing, developing, financing, acquiring, constructing, renovating, operating, or maintaining, or charging a user fee for, a public bridge facility.

(f) "User fee" means a toll, consumption charge, rent, license fee, or another similar or ancillary charge that is related to the use of a public bridge facility. User fee includes, but is not limited to, a fee or charge for creating, maintaining, administering, billing, and collecting an account.

History: Add. 2020, Act 353, Eff. Mar. 24, 2021.

117.6 Incorporation, consolidation, or alteration of boundaries; petition; signatures; deposit; enumeration.

Sec. 6. Cities may be incorporated or territory detached therefrom or added thereto, or consolidation made of 2 or more cities or villages into 1 city, or of a city and 1 or more villages into 1 city, or of 1 or more cities or villages together with additional territory not included within any incorporated city or village into 1 city, by proceedings originating by petition therefor signed by qualified electors who are freeholders residing within the cities, villages, or townships to be affected thereby, to a number not less than 1% of the population of the territory affected thereby according to the last preceding United States census, or according to a census to be taken as hereinafter provided, which number shall be in no case less than 100, and not less than 10 of the signatures to such petition shall be obtained from each city, village, or township to be affected by the proposed change: Provided, That in the incorporation of a city from an existing village without change of boundaries the requisite number of signatures may be obtained from throughout the village without regard to the townships in which the signers are residents: Provided further, That as an alternate method in the case of an annexation proceeding in which there are less than 10 persons qualified to sign the petition living in that unincorporated territory of any township or townships proposed to be annexed to a city, that the signatures on the petition of persons, firms, corporations, the United States government, or the state or any of its subdivisions who collectively hold equitable title as vendees under a recorded land contract or memorandum of land contract, or record legal title to more than 1/2 of the area of the land exclusive of streets, in the territory to be annexed at the time of filing the petition, will suffice in lieu of obtaining 10 signatures from the township in which such area to be annexed lies: And provided further, That on such petition each signature shall be followed by a description of the land and the area represented thereby and a sworn statement shall also accompany such petition giving the total area of the land, exclusive of streets, lying within the area proposed to be annexed: Provided further, That before any signatures are obtained on a petition as hereinbefore provided, such petition shall have attached to it a map or drawing showing clearly the territory proposed to be incorporated, detached, or added, and each prospective signer shall be shown such map or drawing before signing the petition. Such petition shall be verified by the oath of 1 or more petitioners. The county clerk upon the presentment of a petition for incorporation of a new city for filing shall forthwith estimate all necessary expense that may be incurred by the county in the incorporation proceedings, and the clerk thereupon shall require that the sum so estimated, which in no case shall exceed $500.00, be deposited with the clerk and shall refuse to accept the petition for filing until the sum is so deposited: Provided, That in proceedings for the incorporation of a new city or the consolidation of 2 or more cities or villages into 1 city, or of a city and 1 or more villages into 1 city or of 1 or more cities or villages together with additional territory not included within any incorporated city or village into 1 city, a petition signed by not less than 100 qualified electors who are freeholders residing within the territory so proposed to be incorporated or consolidated, praying for the taking of a census of the inhabitants of the territory affected thereby, may be filed with the county clerk of the county within which said territory is located. The county clerk shall, within 5 days after the filing of such petition, certify to the mayor of each city, president of each village, and supervisor of each township affected thereby, and to the secretary of state that such petition has so been filed. Within 5 days after the service of such certificate, the secretary of state shall appoint an enumerator or enumerators to enumerate the inhabitants of each such city, village, and the portion of each township proposed to be so incorporated, or a consolidation made thereof. Before entering upon the duties of said office, each such enumerator shall take and subscribe to the constitutional oath of office before some officer authorized to administer oaths and file the same with the secretary of state and with the county clerk of the county in which such territory is located. It shall be the duty of each enumerator so appointed to enumerate all of the bona fide inhabitants of such city, village, or township, territory or portion thereof assigned to the enumerator by the secretary of state and to visit each house or dwelling and to obtain the names of each known resident thereof. The city, village, or township within which the services of the enumerator are rendered shall pay for such services together with any actual and necessary expenses incurred by the enumerator. The rate of pay and actual and necessary expenses of the enumerator shall be set by the governing body of the city, village, or township in which the census takes place. Upon completing such enumeration it shall be the duty of the persons so appointed to make a return in duplicate of such enumeration showing the names of the inhabitants of each such city, village, or township, territory or district to the county clerk and to the secretary of state. No such enumeration or census shall be conducted in any city, village or township, or portion thereof, within 2 years of the date of the last enumeration in such territory. Every such enumeration shall be conducted under the general supervision and control of the secretary of state who is hereby empowered to make rules and regulations for the purpose of carrying out the provisions of this act.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3309;—Am. 1919, Act 84, Eff. Aug. 14, 1919;—CL 1929, 2242;—Am. 1931, Act 314, Imd. Eff. June 16, 1931;—Am. 1939, Act 231, Eff. Sept. 29, 1939;—Am. 1947, Act 334, Eff. Oct. 11, 1947;—CL 1948, 117.6;—Am. 1956, Act 77, Eff. Aug. 11, 1956;—Am. 1957, Act 210, Eff. Sept. 27, 1957;—Am. 1984, Act 352, Eff. Mar. 29, 1985.

117.7 Incorporation, consolidation or alteration of boundaries; fifth class cities; population requisites; representation on board of supervisors.

Sec. 7. Said petition shall accurately describe the proposed boundaries of the city, or of the territory to be annexed thereto or detached therefrom, and if the purpose is to incorporate a new city, it shall represent that the territory described contains not less than 2,000 inhabitants and an average of not less than 500 inhabitants per square mile: Provided, That all incorporated villages in which a county seat is located are hereby authorized to incorporate under the provisions of this act as cities of the fifth class, without respect to the population of the territory included therein: Provided further, That any incorporated village having a population of more than 750 and less than 2,000 inhabitants, or any incorporated village lying within more than 1 township in the same county having a population of more than 600 and less than 2,000 inhabitants, or any territory containing a population of more than 750 and less than 2,000 inhabitants and an average of not less than 500 inhabitants per square mile may incorporate under the provisions of this act as cities of the fifth class. Such cities shall constitute but 1 voting precinct except in cities lying within more than 1 county and the mayor thereof, or whenever provided by resolution of the legislative body of any such city, the city attorney, city manager, or city superintendent shall be among the representatives of the city on the board of supervisors of the county or counties: Provided further, Whenever in the process of incorporating a city of the fifth class and adopting a charter therefor, it shall be disclosed by an official census that the population exceeds 2,000 inhabitants, then all proceedings theretofore taken shall be deemed to be for a non fifth class city under this act.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3310;—Am. 1917, Act 286, Eff. Aug. 10, 1917;—Am. 1923, Act 196, Eff. Aug. 30, 1923;—Am. 1927, Act 303, Imd. Eff. June 1, 1927;—CL 1929, 2243;—Am. 1947, Act 91, Eff. Oct. 11, 1947;—CL 1948, 117.7 ;—Am. 1951, Act 40, Eff. Sept. 28, 1951;—Am. 1953, Act 175, Eff. Oct. 2, 1953;—Am. 1955, Act 33, Eff. Oct. 14, 1955.

117.8 Incorporation, consolidation, or alteration of boundaries; petition; filing; resolution; adoption.

Sec. 8. (1) Subject to subsections (2) and (3), a petition filed under section 6 shall be addressed to the county board of commissioners of the county in which the territory to be affected by the proposed incorporation, consolidation, or change of boundaries is located, and shall be filed with the clerk of the county board of commissioners not less than 30 days before the convening of the board in regular session, or in any special session called for the purpose of considering the petition. The county board of commissioners shall by resolution determine whether the petition complies with the requirements of this act and whether the statements contained in the petition are correct. If a majority of the board determines that the petition does not comply with the requirements of this act or that the statements contained in the petition are not correct, the board shall not conduct further proceedings on the petition. Subject to subsection (4), if the board determines that the petition complies with the requirements of this act and that the statements contained in the petition are correct, the board shall, by resolution, provide that the question of making the proposed incorporation, consolidation, or change of boundaries be submitted to the qualified electors of the district to be affected at the next general election or at a special election before the next general election. The question shall not be submitted at an election to be held less than 60 days after the adoption of the resolution.

(2) If it is proposed to incorporate an incorporated village as a city without change of boundaries, both of the following apply:

(a) The initiatory petition provided for under section 6 shall be addressed to the village council or other legislative body of the village and shall be filed with the village clerk at least 30 days before final action is taken on the petition.

(b) The powers and duties of the county board of commissioners and county clerk under subsection (1) are assigned to the village council and village clerk, respectively.

(3) A petition covering the same territory, or part of the same territory, shall not be considered by the county board of commissioners more often than once in every 2 years, unless the petition is signed by not less than 35% of taxpayers whose names appear on the latest assessment rolls under the requirements of the general property tax act, 1893 PA 206, MCL 211.1 to 211.157, as being assessed for real property taxes within the area proposed to be annexed. The assessing officers who are charged with the duty of assessing real property within the area proposed to be annexed shall report as of the date on which the petition is filed the total number of names on the rolls, within that area, to the clerk of the county board of commissioners not more than 14 days after the filing date.

(4) A vote is not required if the city owns the land sought to be annexed.

(5) After the adoption of a resolution under subsection (1) submitting a question to a vote of the electors, neither the sufficiency nor legality of the petition under section 6 may be questioned in any proceeding.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3311;—Am. 1917, Act 225, Eff. Aug. 10, 1917;—CL 1929, 2244;—CL 1948, 117.8;—Am. 1953, Act 169, Eff. Oct. 2, 1953;—Am. 1955, Act 147, Imd. Eff. June 7, 1955;—Am. 2003, Act 303, Eff. Jan. 1, 2005.

117.8a Incorporation, consolidation or alteration of boundaries; filing substitute petition; action by supervisors.

Sec. 8a. In case a petition has been filed with the clerk pursuant to section 8, and subsequently another petition is filed by other petitioners proposing to affect the same territory in whole or part, then the subsequently filed petition shall not be submitted to the electors while in conflict with the prior petition: Provided, however, That if such prior petition on file is one on which the board of supervisors has not finally set the date for an election, and such subsequent petition has been filed as a substitute therefor encompassing all of the same territory and having among its signers at least 4/5 of the qualified petitioners shown on such prior petition, then the board shall act on such subsequent petition in the place and stead of said prior one. If the board finds that said substitute petition complies with the provisions of this act, an election shall be called thereon; otherwise the election shall be held on such prior petition if it complies with this act.

History: Add. 1951, Act 158, Imd. Eff. June 6, 1951.

117.9 Incorporation, consolidation, or change of boundaries; governing law; affected district; petition or resolution for annexation; voting; duties of commission.

Sec. 9. (1) In the event of a conflict between the provisions of this act and 1968 PA 191, MCL 123.1001 to 123.1020, regarding an incorporation or consolidation, the provisions of 1968 PA 191, MCL 123.1001 to 123.1020, shall govern. The district to be affected by the proposed incorporation, consolidation, or change of boundaries is considered to include the whole of each city, village, or township from which territory is to be taken or to which territory is to be annexed. When a territory is proposed to be incorporated as a city only the residents of the territory to be incorporated shall vote on the question of incorporation. When a petition signed by the appropriate agency designated by the state administrative board which holds legal title to the entire area of the land in the territory adjacent to the city to be annexed, is filed with the governing body of the city and township in which the territory is situated, the annexation may be accomplished by the affirmative majority vote of the governing body of the city and the approval of the township board of the township.

(2) Except as provided in subsections (1) and (8), a petition or resolution for annexation of territory shall be filed with the state boundary commission created under 1968 PA 191, MCL 123.1001 to 123.1020. The commission, after determining the validity of the petition or resolution, shall hold a public hearing in or reasonably near the area proposed for annexation. The commission in processing and approving, denying, or revising a petition or resolution for annexation shall have the same powers and duties as provided under 1968 PA 191, MCL 123.1001 to 123.1020, relating to petitions which propose incorporations. In addition to providing notice to property owners located in the area proposed for annexation, the commission shall also give notice of each public hearing held under this subsection to property owners located within 300 feet of the area proposed for annexation by certified mail not less than 30 days before the date of the public hearing. Not less than 45 days before the date of the public hearing, the local unit of government capable of producing the information required under this section shall provide the state boundary commission with a list of the names and addresses of all persons the commission is required to provide notice to under this subsection. The commission is required to provide notice only to the property owners included on the list provided by the local unit of government as required under this section.

(3) If an annexation is denied by the commission, the commission shall send a certified copy of its order to the clerk of each county, city, village, and township affected.

(4) If an annexation is approved, and if on the date the petition or resolution was filed 100 persons or less resided in the area approved for annexation, the commission's order shall not be subject to a referendum. The commission shall send a certified copy of its order to the clerk of each county, city, village, and township affected and to the secretary of state. The annexation shall be effective on a date set forth in the commission's order.

(5) If an annexation is approved, and if on the date the petition or resolution was filed more than 100 persons resided in the area approved for annexation, the commission shall send a certified copy of its order to the clerk of each county, city, village, and township affected and to the secretary of state. The commission's order shall become final 30 days after the date of the order unless within that 30 days a petition is filed with the commission which contains the signatures of at least 25% of the registered electors residing in the portion of the territory approved for annexation, in the annexing city or in the balance of the township. The commission after verifying the validity of any referendum petition shall order that a referendum on the question of annexation be held in each area from which a valid petition was filed. If a valid petition is not filed within the 30 days or if the majority of the electorate voting on the question in each area in which a referendum was held, voting separately, approve the annexation, the annexation shall be effective on a date set by order of the commission, otherwise the annexation shall not take effect.

(6) The commission shall reject a petition or resolution for annexation of territory that includes all or any part of the territory which was described in any petition or resolution for annexation filed within the preceding 2 years and which was denied by the commission or was defeated in an election under subsection (5).

(7) In addition to the methods for initiating annexation as provided in this act, a petition or resolution as

follows may be submitted to the state boundary commission in a form and manner prescribed by the commission:

(a) By resolution of the legislative body of the city to which the area is proposed to be annexed.

(b) By petition by the persons, firms, corporations, the United States government, or the state or any of its subdivisions who collectively hold equitable title as a vendee under a recorded land contract or memorandum of land contract, or record title to 75% or more of the area of the land exclusive of streets in the territory proposed for annexation at the time of filing the petition.

(c) By petition by 20% of the registered electors who reside in the area proposed for annexation.

(8) Where the territory proposed to be annexed to any city is adjacent to the city and consists of a park or vacant property located in a township and owned by the city annexing the territory, and there is no one residing in the territory, the territory may be annexed to the city solely by resolution of the city council of the city. In any case where the territory proposed to be annexed is adjacent to the city and consists of property owned by the city or consists of fractional parts of platted subdivision lots, located in an adjoining city, village, or township, the annexation may also be accomplished by the majority vote of the legislative body of the city and the approval of the legislative body of the adjoining city, village, or township. As an alternate method, where there are no qualified electors residing in the territory proposed to be annexed to the city, other than the person or persons petitioning, a petition signed by a person or persons, firms, corporations, the United States government, or the state or any of its subdivisions who collectively hold the equitable title as a vendee under a recorded land contract or memorandum of land contract, or record legal title to more than 1/2 of the area of the land in the territory to be annexed is filed with the city council of the city and with the township board of the township in which the territory is situated, the annexation may be accomplished by the affirmative majority vote of the city council of the city and the approval of the township board of the township. At least 10 days prior to the approval by the township board, the township treasurer shall notify, personally or by registered mail with return receipt demanded, the owners of all real property in the territory to be annexed as shown on the assessment rolls of the township at the last known address on file with the township treasurer. Except as otherwise provided, this section shall not be construed to give any city the authority to attach territory from any other city unless the question relative to the territory has been voted upon by the voters of the entire cities affected where the territory proposed to be annexed is adjacent to a city and consists of property owned by the city or consists of fractional parts of platted subdivision lots, located in an adjoining city.

(9) The provisions of section 14 shall not be applicable to an annexation approved by the commission of part of a township or village to a city except in the event of outstanding bonds or other evidences of indebtedness of the township or village. In such event, the commission shall determine and order an equitable division of assets and liabilities which relate to the bonds or other indebtedness.

(10) The provisions of sections 8 and 8a shall not be applicable to petitions or resolutions filed with the state boundary commission.

(11) After March 31, 1971, and so long as 1968 PA 191, MCL 123.1001 to 123.1020, is in effect, annexation of territory from a township or village to a home rule city shall be as provided in this section and no other means of annexation shall be effective.

(12) The state boundary commission shall mail a copy of any final order issued under this section to each property owner the commission is required to provide notice to under subsection (2).

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3312;—Am. 1917, Act 225, Eff. Aug. 10, 1917;—Am. 1925, Act 337, Eff. Aug. 27, 1925;—CL 1929, 2245;—Am. 1931, Act 314, Imd. Eff. June 16, 1931;—Am. 1935, Act 48, Imd. Eff. May 6, 1935;—Am. 1947, Act 36, Eff. Oct. 11, 1947;—Am. 1947, Act 334, Eff. Oct. 11, 1947;—CL 1948, 117.9;—Am. 1951, Act 58, Eff. Sept. 28, 1951;—Am. 1956, Act 68, Eff. Aug. 11, 1956;—Am. 1970, Act 219, Eff. Apr. 1, 1971;—Am. 1984, Act 352, Eff. Mar. 29, 1985;—Am. 2004, Act 137, Imd. Eff. June 10, 2004.

Constitutionality: This section, the enabling legislation which grants the state boundary commission authority over annexation petitions or resolutions, is constitutional. *Midland Township v State Boundary Commission*, 401 Mich 641; 259 NW2d 326 (1977).

117.9a Annexation of township remnant territory to home rule city; procedure.

Sec. 9a. Whenever the process of incorporation, consolidation, or annexation leaves a portion of a township with no qualified electors residing in that portion and without the constitutional and statutory officers to perform their functions as prescribed by law, as part of the alternate method of annexation provided for by section 9, a petition signed by the owner or owners of record or the holder or holders of equitable title under a recorded land contract or memorandum of land contract of all the real property of such portion of the township may be filed with the clerk of the city to which annexation is sought and with the county clerk of the county in which the territory is situated, seeking the annexation of such territory to such city. The annexation may be accomplished by the affirmative majority vote of the members-elect of the governing body of the city and approval of the majority vote of all of the members of the county board of commissioners.

History: Add. 1959, Act 92, Eff. Mar. 19, 1960;—Am. 1984, Act 352, Eff. Mar. 29, 1985.

117.9b Detachment of territory from city; conditions; intergovernmental agreement imposing conditions on detachment; reannexation to detaching city; detached territory not subject to annexation.

Sec. 9b. (1) In addition to the detachment procedures otherwise authorized by this act, territory may be detached from a city if all of the following conditions are met:

(a) The territory to be detached was annexed to the city after the city was incorporated.

(b) The territory to be detached is to be reattached to the municipality from which that territory was annexed.

(c) The city does not provide water or sewer service in the territory to be detached.

(d) The council of the city from which the territory is being detached approves a resolution authorizing the detachment of the territory and confirming an agreement relating to the detachment.

(e) The legislative body of the municipality from which the territory to be detached was annexed approves a resolution authorizing detachment of the territory and confirming an agreement related to the detachment.

(2) The city and municipality involved in a detachment under this section may enter into an intergovernmental agreement which imposes conditions on the detachment. The conditions may include, but need not be limited to, building restrictions and zoning within the territory to be detached.

(3) Territory detached under this section is immediately reannexed to the detaching city if any of the following occurs:

(a) The city can and agrees to provide water and sewer services, the city certifies these facts to the state boundary commission, and the state boundary commission finds that the city can provide water and sewer services to this territory.

(b) The municipality to which the territory was reattached fails to comply with the intergovernmental agreement, the city certifies that fact to the state boundary commission, and the state boundary commission finds that the municipality is not in compliance.

(4) Reannexation pursuant to subsection (3) shall not be subject to the annexation requirements and restrictions of this act; Act No. 191 of the Public Acts of 1968, being sections 123.1001 to 123.1020 of the Michigan Compiled Laws; or Act No. 359 of the Public Acts of 1947, being sections 42.1 to 42.34 of the Michigan Compiled Laws.

(5) All or part of territory detached under this section shall not be subject to annexation.

History: Add. 1982, Act 465, Eff. Mar. 30, 1983.

117.9c Repealed. 1986, Act 64, Eff. July 1, 1986.

Compiler's note: The repealed section pertained to an alternate method of annexation.

117.10 Certified copies of petition and resolution; transmittal; election notices.

Sec. 10. The county clerk shall, within 3 days after the passage of the resolution provided for in section 8 of this act, transmit a certified copy of said petition and of such resolution to the clerk of each city, village or township in the district to be affected by the proposed incorporation, consolidation or change, and it shall be the duty of each of said city, village and township clerks to give notice of the date and purpose of the election provided for by said resolution by publication in 1 or more newspapers published within said district at least once in each week for 4 weeks preceding said election, and by posting a like notice in at least 10 public places in said district not less than 10 days prior to such election.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3313;—CL 1929, 2246;—CL 1948, 117.10.

117.11 Petition for incorporation, consolidation, or change of boundaries; affidavit; filing with secretary of state; certification; notice; election.

Sec. 11. (1) If the territory to be affected by a proposed incorporation, consolidation, or change of boundaries is situated in more than 1 county, the petition under section 6 shall be addressed and presented to the secretary of state. The petition shall be accompanied by 1 or more affidavits by 1 or more of the signers of the petition showing all of the following:

(a) That the statements contained in the petition are true.

(b) That each signature affixed to the petition is the actual signature of a qualified elector residing in a city, village, or township to be affected by the carrying out of the purposes of the petition.

(c) That not less than 25 of the petition signers reside in each city, village, or township to be affected.

(2) The secretary of state shall examine the petition and the accompanying affidavit or affidavits. If the secretary of state finds that the petition and accompanying affidavit or affidavits comply with the requirements of this act, he or she shall so certify and shall transmit the certificate and a certified copy of the petition and the accompanying affidavit or affidavits to the clerk of each city, village, or township to be affected by the proposal, together with a notice directing that the question of making the incorporation, consolidation, or change of boundaries petitioned for shall be submitted to the electors of the district to be affected. The notice shall provide that the question shall be submitted at the next general election or at an election before the next general election. However, the question shall not be submitted at an election to be held less than 60 days after the date of transmittal of the certificate.

(3) If the secretary of state finds that the petition and the accompanying affidavit or affidavits do not comply with the requirements of this act, he or she shall certify to that fact and shall return the petition and affidavits to the person from whom they were received, along with the certificate.

(4) The city, village, and township clerks who receive from the secretary of state the copies and certificates provided for in subsection (2) shall give notice of the election to be held on the question of making the proposed incorporation, consolidation, or change of boundaries as provided for in section 10.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3314;—CL 1929, 2247;—CL 1948, 117.11;—Am. 1956, Act 41, Imd. Eff. Mar. 28, 1956;—Am. 2003, Act 303, Eff. Jan. 1, 2005.

117.12 Election returns; canvass; village clerk, duties.

Sec. 12. The returns by the several boards of election inspectors shall be made to the clerk of the county in which the city or proposed city, or the greater part thereof, if in more than 1 county, is located, and shall be canvassed on the first Thursday following said election in the manner provided by law for a county canvass: Provided, That if the purpose is to incorporate 1 village as a city the returns shall be made to the village clerk, and the vote canvassed the same as in other village elections, and in such case all duties which it is provided in this act shall be performed by the county clerk shall devolve upon the village clerk, and all petitions, certificates or other papers or documents provided in this act to be filed with the county clerk shall be filed with the village clerk, and all expenses to be borne by the county according to the provisions of said section shall be borne by the village.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3315;—Am. 1917, Act 225, Eff. Aug. 10, 1917;—CL 1929, 2248;—CL 1948, 117.12.

117.13 Effective date of incorporation, consolidation, attachment or detachment; certificate of board of county canvassers; representation, transfer of property, governmental function.

Sec. 13. On the filing in the office of the secretary of state and the clerk of the county or counties within which the city or proposed city is located, of a copy of the petition, and of every resolution, affidavit or certificate necessarily following such petition, with the certificate of the board of county canvassers attached, showing that the purposes of such petition have been approved by a majority of the electors voting thereon, as provided in this act, which shall also give the number of votes cast on such proposition and the number cast for and against the same, the territory described in said petition shall be duly and legally consolidated as 1 city, or attached to or detached from the city named in such petition, as the case may be, and such petition and the subsequent proceedings thereunder shall be duly recorded in each of said offices in a book to be kept for that purpose, and either of such records or certified copies thereof shall be prima facie evidence of the consolidation or change of boundaries prayed for in such petition. Territory detached from any city shall thereupon become a part of the township or village from which it was originally taken: Provided, however, That when an incorporated city or village is annexed to and incorporated with a city, such annexed territory shall constitute 1 or more separate wards of the city to which it is annexed and have representation in the legislative body of such city to which it is annexed: Provided, The territory so annexed shall have a population equivalent to the approximate population of 1 or more wards of the city to which it is annexed: Provided, however, That in the case of annexation of part of a township to a city, the effective date of such annexation shall be 60 days after the date of the election unless the board of supervisors of the county shall by resolution fix another date not less than 30 days after the election, and in the case of annexation of an entire township to a city the effective date of the annexation shall be 90 days after the date of the election unless the board of supervisors of the county shall by resolution fix another date not less than 45 days after the date of the election: Provided further, That in case of a vote on the incorporation of a new city, such proposed city shall not be deemed incorporated until a charter has been adopted and filed as hereinafter provided: Provided further, That no property, real or otherwise, owned by any such governmental unit or portion thereof shall be disposed of, nor shall any transfer of governmental function be made prior to such effective date, except by joint agreement of the legislative bodies of the units of government, nor shall any funds be expended except in payment of the costs of operation of normal business of said township.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 81, Eff. Aug. 1, 1911;—CL 1915, 3316;—Am. 1917, Act 233, Eff. Aug. 14, 1917;—CL 1929, 2249;—CL 1948, 117.13;—Am. 1952, Act 35, Eff. Sept. 18, 1952;—Am. 1956, Act 77, Eff. Aug. 11, 1956.

117.14 Incorporation or annexation.

Sec. 14. Whenever an incorporated village is incorporated as a city, without change of boundaries, such city shall succeed to the ownership of all the property of such village and shall assume all of its debts and liabilities. Whenever a city, village or township is annexed to a city, the city to which it is annexed shall succeed to the ownership of all the property of the city, village or township annexed, and shall assume all of its debts and liabilities. Whenever a part of a city, village or township is annexed to a city, the real property in the territory annexed which belongs to the city, village or township from which it is taken shall be sold by the authorities of the city, village or township in which said land was located before such annexation, and that portion of the proceeds of such sale shall be paid to the city acquiring such territory which shall be in the same ratio to the whole amount received as the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which said territory is taken. Whenever a part of a city, village or township is annexed to a city, all of the personal property belonging to any such city, village or township from which territory is detached shall be divided between the township, city or village from which said territory is detached and the city to which the territory is annexed, in the same ratio as the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which said territory is taken. Whenever a new city shall be incorporated, the personal property of the township from which it is taken shall be divided and its liabilities assumed between such city and the portion of the township remaining after such incorporation, which incorporation shall be effective as of the date of filing the certified copy of the charter as hereinafter provided, in the same ratio as herein provided in case of the annexation of a part of a township to a city, and any real property of a township located in such new city shall be held jointly by such city and the remaining portion of the township in the ratio above mentioned. Such real estate shall be subject to sale by agreement of the governmental units or may be partitioned in the manner provided by law for partitioning of lands held by persons as tenants in common: Provided, That no cemetery within such territory shall be sold; but to the extent it is owned by the city, village or township within which it is located, it shall become the property of the city to which it is annexed.

Whenever a new city is incorporated from part of a township or townships, such city shall be entitled to its pro rata share of the amount thereafter due such township or townships or due any county agency in respect of population in such township or townships from any future distribution of gasoline and motor vehicle weight tax revenues, intangibles tax revenues, state alcoholic liquor tax revenues, or any other state funds, moneys or grants which, by law, now or hereafter, are required to be distributed among cities, villages, townships and/or counties of the state, which pro rata distribution shall be determined as follows, to-wit:

(1) According to the latest federal census prior to date of distribution but since such annexation, if there be such census, showing the respective population of the township or townships and the municipalities affected;

(2) In the absence of such federal census, an official special census shall be taken of the areas detached from each township to form the newly incorporated city and of the entire township or townships from which such area was detached. Such census shall be taken by enumerators appointed by the secretary of state upon application by any one of the municipalities affected by such incorporation, which census shall be taken, as near as may be, in accordance with the provisions of section 6 of this act; the ratio of population between the areas incorporated from each township to form the newly incorporated city and the remainder of the respective township or townships from which the city was incorporated, shall be the basis for determination of the pro rata share of the state funds, moneys or grants to be distributed.

The township or townships from which such incorporated city is incorporated or the county agency receiving the funds, moneys or grants in respect of population in such township or townships shall be liable to the incorporated city for its proper pro rata share of any state funds, moneys or grants received by such township or townships or such county agency, respectively, after the date of incorporation;

(3) In the absence of such federal census and in lieu of an official special census determining the respective populations of the municipalities affected by such incorporation, the newly incorporated city and each township from which the same was incorporated, may agree, by joint resolution, as to the prorating between them and between the city and any county agency receiving state funds, moneys or grants in respect of population in such township or townships of any funds, moneys or grants distributable by the state, a certified copy of which joint resolution shall be filed with the secretary of state and shall thereafter be binding upon all parties affected by said incorporation.

Whenever a part of a city, village or township is annexed to a city, the city to which such territory is annexed shall be entitled to its proper pro rata share of any of the said state funds, moneys or grants thereafter distributable under the law to the city, village or township from which said territory was detached or to any county agency receiving state funds, moneys or grants in respect to population in such township or townships, determined as follows:

(1) According to ratio of population between the area annexed and the remainder of the township, city or village from which said area was detached, as determined by the latest official federal or state census showing such populations;

(2) If there be no official census by which said respective populations can be determined, then a census shall be taken of the territory detached and the remainder of the territory in the township, city or village from which it was detached as provided above in the case of a newly incorporated city;

(3) In the absence of such federal census and in lieu of taking an official special census, the city to which said territory was annexed and the cities, townships, or villages from which said territory was detached, may agree by joint resolution of their governing bodies as to the prorating of any such state funds, moneys, or grants between them and between the city and any county agency receiving said funds, moneys, or grants in respect to population in such township or townships as provided above in the case of a newly incorporated city, a certified copy of which joint resolution shall be filed with the secretary of state and shall thereafter be binding upon all parties to said incorporation.

The foregoing provisions shall be used hereafter in determining the pro rata distributions of any state funds, moneys or grants between townships or county agencies and any city which has become newly incorporated or annexed territory since the latest decennial federal census, either before or after the passing of this law; but in no event shall the sharing of any distribution of state funds, moneys or grants made previous to the effective date of this act be altered.

The indebtedness and liabilities of every city, village and township, a part of which shall be annexed to a city shall be assumed by the city to which the same is annexed in the same proportion which the assessed valuation of the taxable property in the territory annexed bears to the assessed valuation of the taxable property in the entire city, village or township from which such territory is taken. Assessed valuation shall be determined in every division pursuant to this section from the last assessment roll of the city, village or township which has been confirmed by the board of review.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3317;—Am. 1917, Act 225, Eff. Aug. 10, 1917;—CL 1929, 2250;—Am. 1931, Act 233, Eff. Sept. 18, 1931;—Am. 1947, Act 53, Imd. Eff. Apr. 18, 1947;—CL 1948, 117.14;—Am. 1951, Act 158, Imd. Eff. June 6, 1951;—Am. 1956, Act 77, Eff. Aug. 11, 1956.

117.14a Petition for vacating incorporation; initiation; election; certification; assets, disbursement; debts and obligations.

Sec. 14a. Whenever the qualified electors of any city incorporated under the provisions of this act shall file a petition with the city clerk, which petition shall be addressed to the board of supervisors of the county in which the city is located, and signed by not less than 1/4 of the registered electors of such city as shown by the registration lists of the city on the date of such filing, praying that the incorporation of such city be vacated, the city clerk shall, after checking the signatures to such petition to determine their genuineness and sufficiency, refer the same to the county clerk of the county in which such city is located not less than 30 days before the convening of the board of supervisors in regular session: Provided, however, That no such petition may be initiated within 2 years of the effective date of incorporation of said city. Upon receipt of any such petition by any county clerk, the board of supervisors of such county, the county clerk, and the clerks of the city and township or townships affected shall be governed by and do and perform all acts required to be performed by them by sections 8, 9, 10 and 12 of this act with respect to calling and holding an election upon the question petitioned for, the same as though the question were upon the annexation of a part of a city to a township, except that the electors of the city and of the township to be affected shall each vote separately, unless 2 or more townships are to be affected, in which case the votes cast in all such townships shall be cumulated and the result of the election on such question in such townships determined by the total vote therein which is cast for and against such question. In case a 2/3 majority of the qualified electors of such city shall vote in favor of the vacation of the incorporation of the same and a majority of the qualified electors of the township or townships to be affected shall vote in favor of the annexation of the territory of such city to such township or townships, the county clerk shall, within 30 days after the canvass of such votes, make and certify 4 transcripts of all the proceedings in the matter and shall file 2 of such transcripts in the office of the secretary of state and the other 2 copies in his own office, and, upon such filing, the incorporation of such city shall be vacated and the territory thereof annexed to the township or townships from which such territory was detached at the time of the incorporation thereof and by subsequent annexations. Upon the vacation of the incorporation of any city, it shall be the duty of the officers of such city forthwith to deposit all books, papers, records and files relating to the organization of, or belonging or pertaining to such city, which are in their custody as such officers with the county clerk of the county in which such city is located, for safekeeping and reference. The assets of any city, the incorporation of which has been vacated, which have not been set aside or encumbered by the city for the payment of the funded debt or other outstanding obligations of the city, shall become the property of the township to which the territory of the city is annexed, or, if annexed to 2 or more townships, of said townships pro rata according to the assessed value of the portions of the city annexed to each of the townships as shown on the last assessment rolls of the city which were approved by the board of review of the city prior to the vacation of incorporation. The city clerk of such city shall certify to the board of supervisors of the county in which such city is located a statement of all outstanding debt and other obligations at the time the incorporation of such city was vacated, together with an accounting of all moneys on hand for the payment of such debt and other obligations. Said board of supervisors shall proceed to examine the same and shall pass a resolution authorizing the disbursement of such moneys and the assessment and collection of taxes within the area which had comprised the city for the purpose of paying such debt and other obligations in accordance with the conditions set forth in any bond or other instrument by which such debt or other obligations were incurred or secured. Assets of the city which had been set aside at the time of dissolution of incorporation for the payment of the debt or other obligations of the city shall be transferred to the township treasurer of the township to which the territory of such city is annexed or to which the largest portion of such city is annexed and shall be applied by him to the payment of such debt and other obligations in accordance with the conditions in any bond or other instrument by which such funds were set aside or encumbered. Upon the vacation or discontinuance of any city incorporation, under the preceding sections, the indebtedness of such city, whether bonded or otherwise, if any there be, shall be assessed, levied and collected upon the territory embraced within the boundaries of such city immediately prior to such vacation. It shall be the duty of the supervisor or supervisors of the township or townships in which the territory formerly embraced within the limits of any vacated city within 1 year from the date of the vacation of such city, except when such indebtedness falls due at some specified time, in which case such assessment shall be made so as to meet such indebtedness when the same falls due, to levy upon the assessment roll or rolls of his township upon the property formerly embraced within the limits of such city, the indebtedness of such city, or such portion of the same as shall be apportioned to the part of the territory formerly constituting such city as lies within his township as hereinafter provided. The taxes so assessed and levied shall be collected the same as other taxes, and shall be placed in a separate fund and applied to the payment of such indebtedness and the manner of the payment of such indebtedness shall be fixed by the board of supervisors in the resolution to be passed by said board for such purpose. For the purpose of paying the debt and other obligations of the city, as herein provided, the area comprising the city, the incorporation of which is sought to be vacated, shall constitute a de facto city for the purpose of assessing, levying, and collecting the taxes required therefor as a city tax, subject to the tax limitation provisions of the charter of such city and of the general law applicable thereto, and not as a township tax, notwithstanding the fact that the same are levied and spread upon the assessment rolls of any township.

History: Add. 1949, Act 220, Eff. Sept. 23, 1949.

117.14b Relocation of common boundaries.

Sec. 14b. Whenever the boundaries between cities lying within the same county and subject to this act divide platted lots, or are affected by the relocation of a river or of a natural drain or a street or highway, the boundaries may be relocated along adjacent lot lines or to the center of a common street or a common natural boundary upon resolution of the governing body of each city and upon agreement of the individual property owners affected. Boundaries shall be relocated so that the city in which the major part of the land is located shall gain the entire lot in case of following lot lines. A copy of each resolution shall be recorded with the register of deeds of the county where the land is situated.

History: Add. 1959, Act 192, Imd. Eff. July 22, 1959;—Am. 1962, Act 147, Imd. Eff. May 7, 1962.

117.15 Election on question of intent to incorporate or consolidate; electors as members of charter commission; notice; preparation, form, and contents of ballot; expenses; procedure; canvass; certification of election; oath; vacancies; quorum; convening of charter commission; framing charter; conducting business at public meeting; notice of meeting; officers; rules; journal; roll call; nomination of candidates; holding election; publication of proposed charter; publishing and posting notice of election; polling places; canvassing results.

Sec. 15. (1) At an election on the question of the intent to incorporate a new city, or to make a consolidation permitted by this act, each elector residing within its proposed territorial limits shall be entitled to vote for 9 electors, residing in the territory which it is proposed to incorporate or consolidate, as members of a charter commission, and the notices required by section 10 shall include notice of the election of those electors. The ballot shall be prepared by the clerk of the county in which the territory is located or if located in more than 1 county, then by the clerk of the county in which the greater portion of the territory is located. The expense of the ballot preparation is to be borne by that county. If the proposed city is incorporated as provided in this act, the county shall be reimbursed by the city at the time the charter is filed. The county clerk shall prepare the ballot to be used at the election pursuant to the general election laws of the state as follows:

For city incorporation. Yes( )

For city incorporation. No ( )

Or, if the proposition be to consolidate, the ballot shall be as follows:

For consolidating (naming entities) into 1 city. Yes( )

For consolidating (naming entities) into 1 city. No ( )

(2) The county clerk shall also prepare a separate ballot and place on the ballot, without party designation, under the heading, candidates for members of the charter commission, the names of the electors having the qualifications required by this act for a member of the charter commission, who file a petition signed by 20 qualified electors residing in the territory proposed to be incorporated, asking that their names be placed on the ballot. For a consolidation, the electors of each city, village, township, or part of a township, proposed to be consolidated shall vote for and elect the number of the 9 members of the charter commission as shall be substantially in proportion to the number of registered electors of the city, village, township, or part of a township, according to the registration rolls of the last regular state, city, or village election held in the city, village, township, or part of a township, but the number to be elected in a city, village, or township shall not be less than 1. The county board of commissioners or the secretary of state shall determine and prescribe the number of members of the charter commission to be elected from each city, village, township, or part of a township in the case of a consolidation, pursuant to this subsection. The position of the names of the candidates upon the ballots shall be interchanged as provided in the general primary election law of this state. The ballot shall also bear instructions directing that not more than 9 candidates shall be voted for or, if the proposition is to consolidate, the ballot for members of the charter commission in each city, village, township, or part of a township, proposed to be consolidated shall bear instructions directing that not more than the number of candidates determined by the county board of commissioners or the secretary of state to be elected in the city, village, township, or part of a township shall be voted for. On the vote being canvassed on the question of the intent to incorporate or consolidate, if the result is determined to be in favor of the intent to incorporate or consolidate, the board of canvassers shall canvass the votes cast for members of the commission, and certify the election of the 9 persons receiving the highest number of votes cast. The elected members of the commission shall take the constitutional oath of office, and may fill vacancies in their membership. Five members shall constitute a quorum.

(3) The charter commission shall convene within 10 days after election and frame a charter for the proposed city within 90 days after the meeting. The business which the charter commission may perform shall be conducted at a public meeting of the commission held in compliance with Act No. 267 of the Public Acts of 1976. Notice of the time, place, and date of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976. The charter commission shall choose its own officers, determine the rules of its proceedings and keep a journal. A roll call of its members on a question shall be entered on the journal at the request of any member. The commission shall provide the manner of nominating the candidates for the first elective officers provided in the proposed charter. The commission shall fix the date of the first city election, and do and provide other things necessary for making the nominations and holding the election. The election may be held at a special election or on the same date as a general election. The commission shall publish the proposed charter in 1 or more newspapers published in the proposed city, at least once, not less than 2 weeks and not more than 4 weeks preceding the election, together with a notice of the election, and that on the date fixed for the election the question of adopting the proposed charter will be voted on, and that the elective officers provided for in the charter will be elected on the same date. Notice of the election shall also be posted in at least 10 public places within the proposed city not less than 10 days before the election. The commission shall provide for 1 or more polling places for the election, and give similar notice of their location as is given of the election, and shall appoint the inspectors of the election. The results of the election shall be canvassed by the county board of canvassers.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3318;—CL 1929, 2251;—CL 1948, 117.15;—Am. 1956, Act 77, Eff. Aug. 11, 1956;—Am. 1965, Act 378, Imd. Eff. July 23, 1965;—Am. 1966, Act 246, Eff. July 11, 1966;—Am. 1977, Act 204, Imd. Eff. Nov. 17, 1977.

117.15a Incorporation; expenses of charter commission; payment.

Sec. 15a. When the residents of a township have voted to incorporate the entire township or fractional part thereof as a city, the township or townships may pay the expenses of a charter commission before an affirmative vote is taken on the charter.

History: Add. 1972, Act 58, Imd. Eff. Feb. 21, 1972.

117.16 Incorporation; rejection of charter; de facto mayor; duties; resubmission of charter, procedure; effect of nonadoption within 3 years of election to incorporate.

Sec. 16. (1) If the proposed charter is rejected at an election, the election of officers is void, except that the elector who receives the highest number of votes cast for the office of mayor shall be a de facto officer of the proposed city until a mayor for the proposed city is elected and qualified pursuant to a charter which the electors have approved. The mayor elected shall, after the lapse of 10 days within which petitions for the selection of a new charter commission may be filed, if the petition has not been filed with him or her, by notice, require the charter commission to reconvene and within 90 days after the notice provide any revision, amendment, or amendments to the original draft of the charter previously prepared by them as they consider necessary.

(2) The proposed charter, with amendment or amendments, shall be resubmitted to the qualified electors of the proposed city in the same manner and with the same notice and proceedings as required in the first instance, which proceedings shall continue until the qualified electors of the proposed city have, by a majority vote, approved a charter for the proposed city.

(3) Any proposed charter, as originally submitted or resubmitted with any amendment or amendments, shall not be submitted more than 3 times to the qualified electors of the proposed city, and if rejected 3 times, or in the event that a charter is not adopted by the electors of the proposed city during a period of 3 years following the election on the question of the incorporation of the proposed city, the township clerk of the township in which the proposed city is located, or of that township having the largest portion of the population thereof, shall certify that fact to the secretary of state and to the county clerk, register of deeds, and circuit court of the county in which the proposed city is located. The territory of the proposed city shall thereupon revert to the status existing prior to the filing of the petition required by section 6, and the office of each charter commissioner and de facto officer of the proposed city shall terminate and cease to exist. Any sum of money deposited with the county clerk according to section 6 shall be paid by the county clerk into the general fund of the county.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3319;—CL 1929, 2252;—Am. 1947, Act 201, Eff. Oct. 11, 1947;—CL 1948, 117.16;—Am. 1956, Act 77, Eff. Aug. 11, 1956;—Am. 2008, Act 420, Imd. Eff. Jan. 6, 2009.

117.17 Incorporation; new charter commission, petition, procedure, eligibility, duties, expenses; control of territory pending adoption; date of incorporation; voting franchise.

Sec. 17. In cases where the qualified electors of a proposed city shall reject a proposed charter, any 300 electors of said proposed city may petition the de facto mayor for the selection of a new charter commission, and if said petition shall be filed with the de facto mayor of said proposed city on or before the expiration of 10 days from the canvass and determination of the vote on said charter, the de facto mayor of said proposed city shall, if said petition is signed by the requisite number of electors, certify such fact upon said petition and forthwith file the same with the county clerk or secretary of state, depending upon the office in which the original petition was filed, and such county clerk or secretary of state as the case may be, shall give notice of the filing of such petition in the same manner as upon the filing of the original petition and an election shall be called and held and a new charter commission shall be elected in the same manner as in the first instance. The duties of the new charter commission shall be the same as those of the former commission, and as many such successive commissions as necessary may be held in like manner until a charter for such proposed city is framed and approved by the electors thereof. All persons who have served on previous charter commissions within 1 year shall be ineligible as members of every such commission. The first legislative body assembled pursuant to a charter adopted by the electors of such city, shall provide for the payment of the necessary expenses incurred by the county and by the members of such commission or commissions, but the members of the commission shall receive no compensation for their services. The county clerk shall return any unexpended sum of money deposited under section 6 of this act to the depositor. The territory constituting the city shall remain under the control and management of the respective cities, villages and townships from which it was taken and the authority of the officers of such city, villages and townships shall continue until the charter of the new city has been adopted and the officers have been elected and qualified as herein provided. No new city shall be deemed to be incorporated until a charter has been adopted and duplicate printed copies certified by the clerk filed in the office of the county clerk. The county clerk shall forthwith forward 1 copy to the secretary of state, and the date it is received shall be the date of incorporation of the new city. The general voting franchise of no qualified elector shall be lost because of the incorporation, annexation or consolidation processes and his voting rights where last eligible shall be unimpaired by the incorporation, annexation or consolidation processes.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3320;—CL 1929, 2253;—CL 1948, 117.17;—Am. 1956, Act 77, Eff. Aug. 11, 1956.

117.18 Incorporation; revision of charter, procedure, commission, advisory vote; incorporation of provision in original charter granted by legislature.

Sec. 18. Any city desiring to revise its charter shall do so in the following manner, unless otherwise provided by charter; when its legislative body shall by a 3/5 vote of the members elect declare for a general revision of the charter, or when an initiatory petition shall be presented therefor as provided in section 25, the question of having a general charter revision shall be submitted to the electors for adoption or rejection at the next general or municipal election, or at a special election. In case the electors shall, by a majority vote, declare in favor of such revision, a charter commission shall be elected within 60 days consisting of 9 electors of such city having a residence of at least 3 years in the municipality, or the legislative body by a 3/5 vote of the members elect or the initiatory petition may provide that the charter commission be selected at the same election at which the proposition to revise is submitted; the selection shall be void if the proposition to revise is not adopted. No city officer or employee, whether elected or appointed, shall be eligible to a place on the commission.

In the cities where provision is made by the city charter for the nonpartisan elections of city officers, the method prescribed for such elections shall apply in the election of charter commissioners. Where no such provision is made by the charter of such city, candidates shall be nominated by petition without reference to or designation of party affiliation, signed by a number of qualified electors of such city equal to not less than 2% and not more than 4% of the total vote cast for the chief executive office, or the highest vote cast for any commissioner in cities having the commission form of government, of such city at the last preceding election, asking that the name of the candidate designated be placed upon the ballot. The names of all candidates so nominated shall be placed upon a separate ballot at the election designated to be held for the election of a charter commission and without their party affiliations designated; the 9 candidates having the greatest number of votes shall be declared elected; the election of the members of such commission, except as herein specified, shall be conducted as near as may be as now provided by law for the election of city officers in the respective cities of this state unless special methods shall be otherwise provided in the charter of such city.

If the proposed revised charter is rejected by the electors of the city, the charter revision commission shall immediately reconvene and determine whether to take no further action, in which case it shall terminate and cease to exist, or whether to provide a revision of, or amendments to, the revised charter previously prepared by the commission. The proposed revised charter with amendments shall be resubmitted to the qualified electors of the city in the same manner and with like notice and proceedings as required in the first instance. A proposed revised charter, as originally submitted or resubmitted with amendments, shall be submitted not to exceed 3 times to the qualified electors of the city. If the charter is rejected 3 times, or if no revised charter is adopted during 3 years following the adoption of the proposition to revise, then the charter revision commission shall terminate and cease to exist. A new proposal to revise may be adopted at any time after termination of a charter revision commission.

When the question of having a general revision of the charter shall be submitted to the electors of any city, the legislative body of such city or the initiative petitions may provide for the submission with such question for an advisory vote of the question of a change in the form of government of such city, or the question of continuing any power, limitation or provision granted to such city in a charter granted or passed by the legislature for the government thereof. When such advisory vote is requested in an initiatory petition, such question shall be submitted as hereinbefore provided. In the revision of the charter of any city, any power, limitation or provision granted to such city in any charter granted or passed by the legislature for the government of such city and contained in the charter to be revised may be included in such revised charter, and when so included, such power, limitation, or the effect of any such provision shall continue with the same force and effect as when granted or passed by the legislature in the first instance.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3321;—Am. 1917, Act 6, Imd. Eff. Mar. 9, 1917;—CL 1929, 2254;—Am. 1941, Act 86, Eff. Jan. 10, 1942;—CL 1948, 117.18;—Am. 1966, Act 246, Imd. Eff. July 11, 1966.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.

The 1911 amendment reads as follows: “Sec. 18. Any city desiring to revise its charter shall do so in the following manner, unless otherwise provided by charter: When its legislative body shall by a two-thirds vote of the members-elect declare for a general revision of the charter, or when an initiatory petition shall be presented therefor, as provided in section twenty-five of this act, the question of having a general charter revision shall be submitted to the electors for adoption or rejection at the next general or municipal election, or at a special election in case the electors shall, by a majority vote, declare in favor of such a revision, a charter commission shall be selected within sixty days consisting of one elector from each ward and three electors at large, having a residence of at least three years in the municipality, or the legislative body by a two-thirds vote of the members-elect or the initiatory petition may provide that the charter commission be selected at the same election at which the proposition to revise is submitted; the selection shall be void if the proposition to revise is not adopted; no city officer or employee, whether elected or appointed, shall be eligible to a place on said commission. The names of all candidates who have been duly nominated as hereinafter provided shall be placed upon a separate ballot at the election designated to be held for the election of a charter commission and without their party affiliations designated; the candidate having the greatest number of votes in each ward shall be declared elected and the three candidates at large having the greatest number of votes cast in the city shall be declared elected; the nomination and election of the members of such commission, except as herein specified, shall be conducted as near as may be as now provided by law for the nomination and election of city and ward officers in the respective cities of this State."

117.19 Charter; duty of legislative body.

Sec. 19. The legislative body of the municipality unless it is otherwise provided, shall fix in advance of the election of a charter commission the place of its meeting, the compensation of its members, the money for the expense thereof, and if need be provide the ballots for election.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—CL 1915, 3322;—CL 1929, 2255;—CL 1948, 117.19.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.

The 1911 amendment reads as follows: "Sec. 19. The legislative body of the municipality (shall provide for the election of said charter commission at the next general or municipal election to be held in said municipality, if there shall be a general or municipal election within sixty days after such legislative body or the electors of said municipality shall have declared for such general revision in the manner provided in the preceding section, and if there shall be no such general election within said sixty days, then said legislative body shall within ten days after such declaration, call a special election for the selection of such charter commission to be held within sixty days and) shall fix in advance of the election of such charter commission the place of its meeting, the compensation of its members, and provide the money for the expense thereof and if need be, provide the ballots for election."

117.20 Charter commission; first meeting; duties of city clerk; powers and duties of commission; roll call; vacancy; compensation; quorum; public sessions.

Sec. 20. The charter commission shall convene on the second Tuesday after the election at the place designated pursuant to section 19. The city clerk shall preside at the first meeting, shall administer the oath of office to the members-elect, and shall act as clerk of the commission. The charter commission shall be the sole judge of the qualifications, elections, and returns of its members, shall choose its officers except clerk, shall determine the rules of its proceedings, and shall keep a journal. A roll call of the members on a question shall be entered on the journal at the request of 1/5 of the members or less if the commission shall so determine. The commission may fill a vacancy in its membership, and shall fix the time for the submission of the charter to the electors. A member shall not receive compensation for more than 90 meetings of the commission, and only for actual attendance. A member of the commission shall not be paid for more than 1 meeting per day. A majority of the members shall constitute a quorum, and the sessions of the commission shall be public.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—CL 1915, 3323;—CL 1929, 2256;—CL 1948, 117.20;—Am. 1977, Act 27, Imd. Eff. June 8, 1977.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.

The 1911 amendment reads as follows: "Sec. 20. The charter commission shall convene on the second Tuesday after the election at the place designated therefor. The city clerk shall preside at the first meeting, shall administer the oath of office to the members-elect, and shall act as clerk of the commission. It shall be the sole judge of the qualifications, elections and returns of its own members, choose its own officers, except clerk, determine the rules of its proceedings and keep a journal. A roll call of its members on any question shall be entered on the journal at the request of one-fifth of its members or less if it shall so determine. It may fill any vacancy in its membership, and it shall fix the time for the submission of the charter to the electors. No members shall receive compensation for more than ninety days and only for actual attendance. A majority of all the members shall constitute a quorum and its sessions shall be public. The commission may submit with the charter, independent sections or propositions, and such of them as shall receive the approval of a majority of the electors voting thereon shall become a part of the charter if the charter is adopted by the electors."

Former law: See Act 279 of 1909.

117.21 Charter amendment; procedure.

Sec. 21. (1) An amendment to an existing city charter, whether the charter was adopted under this act or formerly granted or passed by the legislature for the government of a city, may be proposed by the legislative body of a city on a 3/5 vote of the members-elect or by an initiatory petition. If the amendment is proposed by the legislative body of the city, the amendment shall be submitted to the electors of the city at the next regular municipal or general state election, or at a special election, held not less than 60 days after the proposal of the amendment. If the amendment is proposed by an initiatory petition, the amendment shall be submitted to the electors of the city at the next regular municipal or general state election held in the city not less than 90 days after the filing of the petition.

(2) Proposed charter amendments and other questions to be submitted to the electors shall be published in full with existing charter provisions that would be altered or abrogated by the proposed charter amendment or other question. The purpose of the proposed charter amendment or question shall be designated on the ballot in not more than 100 words, exclusive of caption, that shall consist of a true and impartial statement of the purpose of the amendment or question in language that does not create prejudice for or against the amendment or question. The text of the statement shall be submitted to the attorney general for approval as to compliance with this requirement before being printed. In addition, the proposed charter amendment in full shall be posted in a conspicuous place in each polling place. The form in which a proposed charter amendment or question shall appear on the ballot, unless provided for in the initiatory petition, shall be determined by resolution of the legislative body, and if provided for by the initiatory petition, the legislative body may add an explanatory caption.

(3) A proposed charter amendment shall be confined to 1 subject. If the subject of a charter amendment includes more than 1 related proposition, each proposition shall be separately stated to afford an opportunity for an elector to vote for or against each proposition. If a proposed charter amendment is rejected at an election, the amendment shall not be resubmitted for a period of 2 years.

(4) A city charter formerly granted by a different act of the state legislature, including the charter of a city of the fourth class, that adopts or comes under any part of this act by amendment under this section, and not by general revision, adoption, or incorporation under this act, may again be amended under this section, as to the part or parts that are amended, by re-enacting under this section that part or parts of the original act of incorporation that existed before any amendment was made under this act. The part or parts of the original act of incorporation that are re-enacted shall not be construed as operating or coming under the provisions of this act in any manner, it being the intention to permit a city described in this subsection, to adopt by amendment any part of the provisions of this act permissible or to withdraw from the provisions of this act.

(5) Propositions and questions shall be proposed, initiated, submitted and canvassed in a manner similar to that provided for charter amendments.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3324;—Am. 1917, Act 6, Imd. Eff. Mar. 9, 1917;—Am. 1917, Act 40, Eff. Aug. 10, 1917;—Am. 1917, Act 232, Imd. Eff. May 10, 1917;—Am. 1919, Act 403, Eff. Aug. 14, 1919;—Am. 1929, Act 279, Eff. Aug. 28, 1929;—CL 1929, 2257;—Am. 1939, Act 279, Eff. Sept. 29, 1939;—Am. 1947, Act 1, Imd. Eff. Jan. 23, 1947;—Am. 1947, Act 87, Imd. Eff. May 12, 1947;—CL 1948, 117.21;—Am. 1955, Act 117, Eff. Oct. 14, 1955;—Am. 2003, Act 303, Eff. Jan. 1, 2005.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.

The 1911 amendment reads as follows: “Sec. 21. Any existing charter, whether passed pursuant to the provisions of this act or by the State legislature, may from time to time be amended as follows: An amendment may be proposed by the legislative body on a two-thirds vote of the members-elect or by an initiatory petition as herein provided, and shall be submitted to the electors as herein provided at the next general or special election. When it originates in the legislative body it shall be published and remain on the table for thirty days before action is taken thereon. The form in which any proposed amendment shall be submitted on the ballot, unless provided for in the initiatory petition, shall be determined by the legislative body.”

117.22 Charter amendment; submission to governor, approval; re-consideration.

Sec. 22. Every amendment to a city charter whether passed pursuant to the provisions of this act or heretofore granted or passed by the state legislature for the government of such city, before its submission to the electors, and every charter before the final adjournment of the commission, shall be transmitted to the governor of the state. If he shall approve it, he shall sign it; if not, he shall return the charter to the commission and the amendment to the legislative body of the city, with his objections thereto, which shall be spread at large on the journal of the body receiving them, and if it be an amendment proposed by the legislative body, such body shall re-consider it, and if 2/3 of the members-elect agree to pass it, it shall be submitted to the electors. If it be an amendment proposed by initiatory petition, it shall be submitted to the electors notwithstanding such objections.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3325;—CL 1929, 2258;—CL 1948, 117.22.

117.23 Publication of proposed charter and amendments; submission of charter and separate propositions to electors; adoption; ballot.

Sec. 23. (1) A proposed city charter and each amendment to an existing city charter before submission to the electors, shall be published as the charter commission or the legislative body may prescribe. A proposed charter may be submitted to the qualified electors as an entirety in a single proposition substantially as follows: "Shall the city charter proposed by the city charter commission be adopted?" Adoption of a proposed charter shall require a simple majority of those voting on the question.

(2) When submitting a proposed charter, separate propositions, on specific charter provisions may also be submitted to the qualified electors. In such case, all propositions shall be in such form as are approved by the attorney general as to clarity and impartiality. If the proposed charter and any of the separate propositions are adopted, the new charter shall take effect with the alternatives or additions contemplated by such separate propositions as are adopted. Adoption of a separate proposition which is an alternative to a provision contained in the proposed charter shall require approval by a majority of those voting on the separate proposition and also a majority of those voting on the proposed charter; otherwise the adoption of a separate proposition shall require a simple majority. The ballot shall contain voting instructions and a brief explanation of the effect of each of the propositions.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3326;—CL 1929, 2259;—CL 1948, 117.23;—Am. 1971, Act 223, Imd. Eff. Dec. 30, 1971.

117.24 Charters or amendments; filing; effective date.

Sec. 24. If the charter, or any amendment thereto, whether of cities incorporated under the provisions of this act, or under an existing charter of the city heretofore granted or passed by the legislature for the government of the city, be approved, then 2 printed copies thereof, with the vote for and against duly certified by the city clerk shall, within 30 days after the vote is taken, be filed with the secretary of state, and a like number with the county clerk of the county in which such city is located and shall thereupon become law, unless a different date for the taking effect of such charter or charter amendment, or any part thereof, is specifically set forth therein.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3327;—CL 1929, 2260;—Am. 1941, Act 175, Eff. Jan. 10, 1942;—CL 1948, 117.24.

117.25 Initiatory petition; filing with city clerk; contents; verification; signatures and inscriptions; perjury and other felonies; punishment; canvass; certifying sufficiency or insufficiency of petition; causing proposed amendment to be submitted to electors; calling special election; submitting proposal at primary, regular, or special election called for other purposes; initiative proposal receiving majority of votes; proposal contemplating increased expenditure of funds; proposal increasing ad valorem property tax limitation; effective date; tax levy; action against city clerk.

Sec. 25. (1) An initiatory petition authorized by this act shall be addressed to and filed with the city clerk. The petition shall state what body, organization, or person is primarily interested in and responsible for the circulation of the petition and the securing of the amendment. Each sheet of the petition shall be verified by the affidavit of the person who obtained the signatures to the petition. The petition shall be signed by at least 5% of the qualified and registered electors of the municipality. Each signer of the petition shall also write, immediately after his or her signature, the date of signing and his or her street address. A signature obtained more than 1 year before the filing of the petition with the city clerk shall not be counted. The petition is subject to the requirements of section 25a.

(2) A person who willfully affixes another's signature, or subscribes and swears to a verification that is false in any material particular, is guilty of perjury. A person who takes the oath of another to the petition not knowing him or her to be the same person he or she represents himself or herself to be or knowing that the petition or any part of it is false or fraudulent in any material particular, or who falsely represents that the proposed amendment is proposed by persons other than the true sponsors, is guilty of a felony and is liable for the same punishment as provided for perjury.

(3) Upon receipt of the petition, the city clerk shall canvass it to ascertain if it is signed by the requisite number of registered electors. For the purpose of determining the validity of the petition, the city clerk may check any doubtful signatures against the registration records of the city. Within 45 days from the date of the filing of the petition, the city clerk shall certify the sufficiency or insufficiency of the petition. If the petition contains the requisite number of signatures of registered electors, the clerk shall submit the proposed amendment to the electors of the city at the next regular municipal or general state election held in the city which shall occur not less than 90 days following the filing of the petition.

(4) If the petition contains the signatures of 20% or more of the persons residing in and registered to vote in the city as of the date when they signed it, and the petition requests submission of the proposal at a special election, the city clerk, within 90 days after the date of the filing of the petition, shall call a special election to be held on the next regular election date that is not less than 120 days after the petition was filed. Other proposals, whether initiated by a 5% petition or proposed by the legislative body within the times within this act provided, may be submitted at that election. A proposal submitted to the electors by the initiative and

receiving an affirmative majority of the votes cast on the proposal shall not be held unconstitutional, invalid, or void on account of the insufficiency of the petition by which the proposal was submitted.

(5) Except as provided by subsection (6), any proposal adopted by the electors that contemplates increased expenditure of funds by the municipality shall become effective only at the beginning of that fiscal year of the municipality commencing not earlier than 60 days following the election at which the proposal was approved by the electors.

(6) If a proposal that increases the city's ad valorem property tax limitation applies, by its terms, for a specific year or period commencing before the date the proposal would otherwise take effect under subsection (5), the proposal shall be effective both from the date it is approved by the electors and retroactively for the year or period specified in the proposal. Notwithstanding a charter provision to the contrary, if a proposal is approved by the electors and given effect under this subsection after the city has levied its ad valorem property tax levy for the fiscal year and if the adopted proposal authorizes the levy of a millage rate for the fiscal year during which the proposal was approved in excess of the rate the city was authorized to levy before adoption of the proposal, the city may levy an additional tax. The additional tax shall be collected either by a supplementary billing by the city or at the same time and in the same manner the county's ad valorem property tax levy is collected.

(7) A person aggrieved by an action, or failure of action, of the city clerk may bring an action against the clerk in the circuit court for writ of mandamus or for other appropriate relief.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3328;—Am. 1917, Act 6, Imd. Eff. Mar. 9, 1917;—Am. 1919, Act 403, Eff. Aug. 14, 1919;—Am. 1927, Act 187, Eff. Sept. 5, 1927;—CL 1929, 2261;—Am. 1939, Act 279, Eff. Sept. 29, 1939;—Am. 1947, Act 87, Imd. Eff. May 12, 1947;—CL 1948, 117.25;—Am. 1969, Act 114, Imd. Eff. July 29, 1969;—Am. 1982, Act 200, Imd. Eff. July 1, 1982;—Am. 2003, Act 303, Eff. Jan. 1, 2005.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.
The 1911 amendment reads as follows: "Sec. 25. The initiatory petitions herein referred to shall be signed at the regular registration or election places at a regular registration or election under the supervision of the officials thereof, who shall verify the genuineness of the signatures and certify the fact that the signers are registered electors of the city and shall be filed with the city clerk. No person shall be deemed to be an elector under the provisions of this section except male electors whose names shall appear upon the registration books in such city. No such initiatory petition shall be effective unless signed by twenty-five per cent of the registered voters entitled to vote for municipal officers."

117.25a Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.

Sec. 25a. Except as otherwise provided in this section, a petition under section 3, 5, 5c, 6, 7, 8, 8a, 9(5), 11, 14a, 15, 16, 17, 18, 21, 22, or 25, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A petition under section 6 that is signed by landowners because there are not enough qualified electors residing in the territory or portion of the territory to be annexed is not subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

History: Add. 1998, Act 150, Eff. Mar. 23, 1999.

117.26 Elections; general provisions; applicability of MCL 168.641.

Sec. 26. (1) All elections held under this act shall be paid for by the locality where held. Except as otherwise provided by law or ordinance, the legislative body of the city shall determine the publication and notice of the election.

(2) Notwithstanding another provision of this act or a charter provision, an election under this act is subject to section 641 of the Michigan election law, 1954 PA 116, MCL 168.641.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3329;—CL 1929, 2262;—CL 1948, 117.26;—Am. 2003, Act 303, Eff. Jan. 1, 2005.

117.27 Repealed. 1966, Act 261, Eff. Mar. 10, 1967.

Compiler's note: The repealed section pertained to determination of representation by cities on county board of supervisors.

117.27a Apportionment of wards; definitions.

Sec. 27a. (1) For the purposes of this section:

(a) "Local legislative body" means the council, common council or commission of a city.

(b) "Ward" means a district comprising less than all of the area of a city which constitutes the political unit from which 1 or more members of the local legislative body is nominated, elected or nominated and elected.

(2) The population of each city subject to the provisions of this section shall, in the first instance, be determined from the most recent official United States decennial census. Other governmental census figures

of total city population may be used if taken subsequent to the latest decennial United States census and the last decennial United States census figures are inadequate for the purposes of this section. Each city shall have the power to conduct its own census for this purpose.

(3) This section shall be applicable to all cities that do not elect all the members of their local legislative body at large. This section shall not repeal any charter provisions meeting the standards established herein but shall be applicable to all charters that fail in whole or in part, to meet the standards herein, or the constitutional requirements of this state or United States constitution.

(4) In each such city subject to the provisions of this section the local legislative body, not later than December 1, 1967, shall apportion the wards of the city in accord with this section. In subsequent years, the local legislative body, prior to the next general municipal election occurring not earlier than 4 months following the date of the official release of the census figures of each United States decennial census, shall apportion the wards of the city in accord with this section.

(5) The local legislative body shall file the apportionment plan with the city clerk and make copies available at cost to any registered voter of the city. Such plan shall provide for wards which are as nearly of equal population as is practicable and contiguous and compact. Residents of state institutions who cannot by law register in the city as electors shall be excluded from population computations where the number of such persons is identifiable in the census figures available.

(6) Any registered voter of the city within 30 days after the filing of the apportionment plan for his city, or within 30 days after such apportionment plan shall be submitted, may petition the circuit court to determine if the plan meets the requirements of the laws and constitution of this state and the United States.

History: Add. 1966, Act 182, Eff. July 1, 1966.

117.27b Board of review; appointment of members, functions.

Sec. 27b. When the charter of any city heretofore adopted provides that the city representatives on the board of supervisors of the county shall be members of the city's board of review or act in any other official capacity or perform any other official function, such city may provide by ordinance for the appointment of the members of the board of review of the city from the citizens of the city and for the filling of such other offices and the performance of such official functions heretofore filled or carried out by such city representatives in such manner as the legislative body of such city shall prescribe.

In the years 1969 and 1970 the legislative body of any city whose charter provides for a board of review consisting of appointed members of the county board of supervisors may appoint a board of review consisting of the same number as those now serving as appointed members consisting of electors resident in the city, to review the assessment roll according to law, notwithstanding the provision of any charter or law to the contrary.

History: Add. 1969, Act 2, Imd. Eff. Mar. 25, 1969.

117.28 Charter change; laws in force; justice and police courts, justices, charter provisions, ordinances.

Sec. 28. In all cities now organized, which may hereafter amend or revise their charters under the provisions of this act, all of the provisions of the present law, whether general or special, applying to any such city relating to the qualifications, term of office, powers, jurisdiction, duties and compensation of justices of the peace and constables therein, and the conduct of all proceedings, suits and prosecutions before such justices of the peace and appeals therefrom, and all laws creating municipal courts and the proceedings thereof in any such city, shall remain in full force and effect, except as to the time and manner of nomination and elections of judges, justices and court officers: Provided, That any city having a justice court and a police court or a justice court may, in or by amendment to its charter provide for the abolishment of said courts and the consolidation of the powers, jurisdictions and duties of said courts into 1 court to be presided over by 1 judge or justice, who is a qualified resident elector of the city in which election is sought, and who shall be an attorney admitted to practice law in the supreme court of this state immediately preceding the date of his appointment or election, and who shall be paid a salary by said city, in lieu of all fees, both in civil and criminal cases, to which said judge or justice might be entitled but for the provisions of this act, which fees in civil cases shall be collected by said judge or justice and turned over by him to the city treasurer of said city on the first and fifteenth of each month, and which fees in criminal cases shall be charged and presented to and audited by the board of supervisors of the county in which said court is situated, in the same manner and amounts as provided by law in the case of justices of the peace in townships, and upon allowance by said board of supervisors, shall be paid monthly, by said county to the treasurer of said city for the use and benefit of said city, and who shall turn over to the county treasurer of such county all costs and fines in state criminal cases, and who shall turn over to the city treasurer of such city all costs and fines in city ordinance or charter cases, and who shall give bonds to such city and the county in which such city is located, in amounts to be fixed by such charter, and who, in the first instance, shall be appointed by the city commission or common council of such city to hold such office from the date when said courts, first above mentioned in this proviso, shall be abolished until his successor shall have been elected and qualified, as hereinafter set forth, and who shall be nominated and elected, as nearly as may be, in the manner the mayor of such city is nominated and elected, at the first general municipal primary and the first general municipal election following the adoption of such amendment of such charter, and at each such primary and election every 6 years thereafter, and whose term of office shall be 6 years, and shall commence on the first day of January following his election, and who shall be empowered to receive and take from said offices, so abolished, all files, records and dockets kept therein, appertaining to said offices, and who shall be empowered to issue executions according to law, upon any judgment appearing upon said dockets with the same effect as if said judgment had been rendered by him, and who shall have transferred to him any and all actions or proceedings pending in either of said offices so abolished, and who shall have full jurisdiction to proceed with such actions or proceedings in the same manner as if they had been brought before him originally, and who shall have the same powers, jurisdiction and duties, except as it shall be hereafter otherwise lawfully provided by charter, as are now conferred upon the justice and/or judge of the courts, first above mentioned in this proviso, and except as it is hereafter otherwise lawfully provided by charter, all of the provisions of the present law, whether general or special, applying to any such city and relating to appeals and to the conduct of all proceedings, suits and prosecutions, before either or both of the courts first above mentioned in this proviso, shall remain in full force and effect and shall be followed by such court and the judge or justice thereof into which they shall be so consolidated; and that any such city may also in its charter provide that the civil jurisdiction of such judge or justice ex contractu and ex delicto shall be increased to $500.00 with such exceptions and restrictions as are provided by law; and that such city may also in its charter provide that such judge or justice shall have the same power and authority to set aside a verdict or judgment and grant a new trial therein, upon legal cause, therefor, as the circuit courts of the state possess: Provided, however, That a motion in writing be made and filed with the judge or justice before whom such cause was tried, within 5 days after the rendition of the verdict or judgment in said case, which said motion shall briefly and plainly set forth the reasons and grounds upon which it is made and shall be supported by affidavits setting forth the facts relied upon to be filed at the time of filing the said motion, and notice of hearing of such motion, with copy of the motion and affidavits, filed as aforesaid, shall be served upon the adverse party or his attorney at least 2 days before the hearing thereof, and such motion shall be determined within 2 days after the same shall have been heard and submitted and such motion shall be submitted and heard within 1 week after the same shall have been filed, and the time for taking an appeal from judgment, in case such motion be not granted, shall begin to run from the time when such motion shall be overruled and in no case shall the pendency of such motion stay the issuing and levy of an execution in such case, but in case of a levy under execution pending such motion, no sale of the property so levied on shall be advertised or made until the final determination of such motion; and that such city may also in its charter provide that the city commission or common council shall fix the salary of such judge or justice; and such city may also in its charter provide that the city commission or the common council may provide for a clerk and 1 or more deputy clerks for such judge or justice to be paid such salary, give such bond and perform such duties as shall by ordinance be prescribed and such clerk and deputy clerks shall also, by virtue of their office, be empowered to administer oaths to persons making affidavits for writs in civil causes and to issue all processes and test the same in the name of such judge or justice and shall be required to collect all fees in civil causes and all costs and fines in criminal causes and all moneys paid into court for security for costs, bail or otherwise and to enter a record of the same in books kept by him for that purpose and to pay over the same to the authorities of the city or county or other persons entitled to the same, as directed by the proper authorities or by law, and the legislative body of such city shall cause the books of such clerks to be audited at least once each year to ascertain that such books are correctly kept and all moneys received have been properly accounted for; and that such city may also in its charter provide that any cause pending before any such judge or justice may, whenever such judge or justice is unable to act in such cause at the time the matter comes before him, be transferred upon his order or, in case of his absence, by the clerk to 1 of the justices of the peace of the county in which such city is located without any notice to the parties in such cause, but a note of such transfer shall be entered upon the docket of the case, and when 2 or more judges or justices shall have acted in any 1 cause or proceeding, the docket shall be signed in the manner and within the time provided by law by the judge or justice who shall have given the final judgment in such cause; and such o n its charter provide for a court officer for such court who shall have all of the duties and powers of court officer in the circuit courts of this state; and such city may also in its charter provide that jury cases may be set for trial upon 1 or more certain days of each month, or as soon thereafter as such trial can be reached, and may establish terms for the trial of jury cases, and may provide that a panel of jurors shall be drawn and certified to the clerk of such court in the manner provided by law for the drawing of circuit jurors in the county in which such city is located, and may determine the number of jurors to be drawn for each panel to serve at each term of such court. The selection of jurors to serve in each case shall be made as nearly as may be, in the same manner as provided in circuit courts, but the trial of such cause by jury shall be otherwise conducted as provided by law for trials by jury before justices of peace in townships, and further that as soon as all jury cases set for any term, and ready for trial, shall have been disposed of, the panel of jurors called for said term shall be discharged: Provided, however, That when there is no jury in attendance in said court, the judge or justice thereof, in order to avoid hardship from delay, may, in his discretion, order a jury impaneled in accordance with the method provided by law to secure a jury in trials before justices of the peace in townships; and such city may also in its charter provide that it shall be the duty of said judge or justice to instruct the jury as to the law applicable to the case, which instructions shall be received by the jury as the law of the case; and such city may also in its charter provide that such court shall be known as a municipal court and that said judge or justice shall be designated as municipal judge: Provided also, That any city may in its charter provide for and limit to 1 or more the number of justices of the peace for said city and may provide that the civil jurisdiction of such justice or justices ex contractu and ex delicto shall be increased to $500.00 with such exceptions and restrictions as are provided by law; and may also provide that such justice or justices shall have the same power and authority to set aside the verdict or judgment and grant a new trial therein, upon legal cause shown, therefor, as the circuit courts of the state possess: Provided, however, That a motion in writing be made and filed with the justice, before whom such cause was tried, within 5 days after the rendition of the verdict or judgment in said case, which said motion shall briefly and plainly set forth the reasons and grounds upon which it is made and shall be supported by affidavits setting forth the facts relied upon to be filed at the time of filing the said motion, and notice of hearing of such motion, with copy of the motion and affidavits, filed as aforesaid, shall be served upon the adverse party or his attorney at least 2 days before the hearing thereof, and such motion shall be determined within 2 days after the same shall have been heard and submitted and such motion shall be submitted and heard within 1 week after the same shall have been filed, and the time for taking an appeal from judgment, in case such motion be not granted, shall begin to run from the time when such motion shall be overruled and in no case shall the pendency of such motion stay the issuing and levy of an execution in such case, but in case of a levy under execution pending such motion, no sale of the property so levied on shall be advertised or made until the final determination of such motion; and may also in its charter, or by ordinance, provide that any such justice or justices of the peace shall be paid a salary in lieu of fees, and the amount of said salary to be fixed by said charter or ordinance, in which case all fees chargeable by such justice of the peace shall be collected and paid over to such city; and that any city may also, in cases where its justice or justices of the peace have been placed on salary, provide in its charter or by ordinance for a clerk and 1 or more deputy clerks for such justice or justices of the peace to be paid such salary, give such bond and perform such duties as shall by charter or ordinance be prescribed and such clerk and deputy clerks shall also, by virtue of their office, be empowered to administer oaths to persons making affidavits for writs in civil causes and to issue all processes and test the same in the name of either or any of the justices of the peace of the city and shall be required to collect all fees in civil causes and all costs and fines in criminal causes and all moneys paid into court for security for costs, bail or otherwise, and to enter a record of the same in a book kept by him for that purpose and be paid over by him to the authorities of the city or county or other persons entitled to the same, as directed by the proper authorities or by law and the legislative body of such city shall cause the books of such clerks to be audited at least once each year to ascertain that such books are correctly kept and that all money received has been properly accounted for; and may also provide that any cause pending before any justice of the peace of said city may, whenever such justice is unable to act in such cause at the time the matter comes before him, be transferred upon his order or, in case of his absence, by the clerk to 1 of the other justices of the peace of such city without any notice to the parties in the cause, but a note of such transfer shall be entered upon the docket of the case and when 2 or more justices shall have acted in any 1 cause or proceeding the docket shall be signed in the manner and within the time provided by law by the justice who shall have given the final judgment in such cause; and, in cases where such justices have been placed on salary and a clerk or clerks have been provided, such city may, by charter or ordinance, provide that jury cases may be set for trial upon 1 or more certain days of each month, or as soon thereafter as such trial can be reached, and to establish terms for the trial of jury cases and may provide that a panel of jurors shall be drawn and certified to the clerk of such justice court in the manner provided by law for the drawing of circuit court jurors in the county where such city is located, and shall determine the number of jurors to be drawn for each panel to serve at each term of such justice court. The selection of jurors to serve in each case shall be made, as nearly as may be, in the same manner as provided in circuit courts, but the trial of such cause by jury shall be otherwise conducted as provided by law for trials by jury before justices of the peace in townships, and further that as soon as all jury cases set for any term, and ready for trial, shall have been disposed of, the panel of jurors called for said term shall be discharged: Provided, however, That when there is no jury in attendance in said court the justice thereof, in order to avoid hardship from delay, may, in his discretion, order a jury impaneled in accordance with the method provided by law to secure a jury in trials before justices of the peace in townships.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1911, Act 203, Eff. Aug. 1, 1911;—Am. 1915, Act 82, Eff. Aug. 24, 1915;—CL 1915, 3331;—Am. 1917, Act 275, Eff. Aug. 10, 1917;—Am. 1919, Act 118, Eff. Aug. 14, 1919;—Am. 1927, Act 32, Imd. Eff. Apr. 12, 1927;—CL 1929, 2264;—CL 1948, 117.28;—Am. 1954, Act 75, Eff. Aug. 13, 1954;—Am. 1965, Act 359, Eff. Mar. 31, 1966.

Compiler's note: Act 203 of 1911, which amended this section, was held unconstitutional and void. See note to MCL 117.1.
The 1911 amendment reads as follows:
"Sec. 28. In all cities now organized, which may hereafter amend or revise their charters under the provisions of this act, all of the provisions of the present law, whether general or special, applying to any such city relating to the qualifications, term of office, powers, jurisdiction, duties and compensation of justices of the peace and constables therein, and the conduct of all proceedings, suits and prosecutions before such justices of the peace, and appeals therefrom, and all laws creating municipal courts and the proceedings thereof in any such city, shall remain in full force and effect, except as to the time and manner of nomination and elections of judges, justices and court officers."

117.28a Municipal courts in cities in certain counties; civil jurisdiction.

Sec. 28-a. In counties having a population of less than 100,000 in which municipal courts are now or may be established, said courts shall have such jurisdiction in civil causes in all townships throughout the county up to the amount of the jurisdiction of said court.

History: Add. 1933, Act 241, Eff. Oct. 17, 1933;—CL 1948, 117.28a.

117.28b Municipal courts in cities in certain counties; attorney fees based on amount of judgment.

Sec. 28b. In all cases, in any municipal court now or hereafter established under the provisions of this act, where a contested trial takes place, and in all cases where an appearance has been entered by an attorney at law in behalf of the opposite party, if the plaintiff was the prevailing party and was represented by a legally licensed attorney and counsel, shall be entitled to tax, as an attorney fee, the sum of $10.00 in case of rendition of a judgment of $300.00 or less, and $15.00 in case of rendition of a judgment of over $300.00; and, if the defendant is the prevailing party and was represented by a legally licensed attorney and counsel, he shall be entitled to tax, as an attorney fee, the sum of $10.00 in case the plaintiff sought in his pleadings to recover a judgment of $300.00 or less, and $15.00 in case the plaintiff sought in his pleadings to recover a judgment of over $300.00.

History: Add. 1949, Act 241, Eff. Sept. 23, 1949.

117.29 Recovery and enforcement of fines, penalties, and forfeitures; violations; administrative hearings.

Sec. 29. (1) Except as provided in subsection (2), the district court, a municipal court, or the circuit court, as provided by law, may hear, try, and determine actions and prosecutions for the recovery and enforcing of fines, penalties, and forfeitures imposed by the charter and ordinances of the city, and sanction offenders for the violation of the charter and ordinances, as is prescribed and directed in the charter or ordinances.

(2) Pursuant to section 4q, a city may provide for an administrative hearings bureau to adjudicate alleged violations of ordinances and impose sanctions consistent with this act.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3332;—CL 1929, 2265;—CL 1948, 117.29;—Am. 1978, Act 191, Imd. Eff. June 4, 1978;—Am. 1994, Act 17, Eff. May 1, 1994;—Am. 2003, Act 318, Imd. Eff. Jan. 12, 2004.

117.30 Appeal to circuit court; recognizance or bond.

Sec. 30. In all actions and prosecutions arising under the charter and ordinances of the city the right of appeal to the circuit court of the county, or to a court having jurisdiction, shall be allowed to a party, and the same recognizance or bond shall be given as is or may be required by law in analogous cases on appeal from the court that tried the city charter or ordinance violation.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3333;—CL 1929, 2266;—CL 1948, 117.30;—Am. 1978, Act 191, Imd. Eff. June 4, 1978.

117.31 Disposition of fines.

Sec. 31. All fines collected or received by the district court for or on account of violations of the charter or ordinances of the city, shall be distributed by the district court pursuant to section 8379 of Act No. 236 of the Public Acts of 1961, as amended, being section 600.8379 of the Michigan Compiled Laws. All fines collected or received by a municipal court or the traffic and ordinance division of the recorder's court of the city of Detroit, for or on account of violations of the charter or ordinances of the city, shall be paid over to the city treasurer.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3334;—CL 1929, 2267;—CL 1948, 117.31;—Am. 1978, Act 191, Imd. Eff. June 4, 1978.

117.32 Constables; election or appointment; powers and duties; salary; fees; provisions inapplicable to certain cities; compliance with minimum employment standards.

Sec. 32. (1) Except as provided in subsection (3), there may be elected or appointed in each city 1 or more constables who shall have the same powers and authorities in civil and criminal matters, and in relation to the service of process, civil and criminal, as are conferred by law on constables in townships. A city, by ordinance, may abolish, restrict, and limit the authority conferred upon a constable by law, except that a city constable may be appointed by a district court as a district court officer and may perform duties permitted pursuant to chapter 83 of the revised judicature act of 1961, Act No. 236 of the Public Acts of 1961, as amended, being sections 600.8301 to 600.8395 of the Michigan Compiled Laws. Except as otherwise provided in section 8707 of Act No. 236 of the Public Acts of 1961, being section 600.8707 of the Michigan Compiled Laws, and section 742 of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.742 of the Michigan Compiled Laws, a constable shall serve all process issued for breaches of ordinances of the city. A city may by ordinance provide for the appointment of additional constables except that the maximum number of persons who may be appointed as constables shall not exceed the number of elected constables provided for in the charter of the city on September 23, 1949. An appointed or elected constable may be paid a salary in addition to fees.

(2) This section does not apply to a city that has a population of 500,000 or more.

(3) A constable shall serve all warrants, notices, and process lawfully directed to the constable by the city and shall perform other duties required of a constable by law. A city, by ordinance, may restrict or limit the duties of a city constable prescribed by law. If the city requires the constable to perform both statutory criminal and civil duties, a person elected or appointed to the office of city constable shall fulfill the minimum employment standards established by the law enforcement council pursuant to section 9 of the Michigan law enforcement officers training council act of 1965, Act No. 203 of the Public Acts of 1965, as amended, being section 28.609 of the Michigan Compiled Laws. The cost of complying with these standards shall be borne by the city.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3335;—CL 1929, 2268;—CL 1948, 117.32;—Am. 1949, Act 71, Eff. Sept. 23, 1949;—Am. 1971, Act 26, Imd. Eff. May 13, 1971;—Am. 1976, Act 408, Imd. Eff. Jan. 9, 1977;—Am. 1994, Act 17, Eff. May 1, 1994.

117.33 Constables; election, qualification, and compensation.

Sec. 33. The provisions of the general law applying to the election, qualification, and compensation of constables in townships shall apply to the constables provided for in section 32 except that in the first instance they shall be elected at the first election at which other city officers are chosen and the first incumbents shall hold office only until the next regular election for the officers as fixed by the state law.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3336;—CL 1929, 2269;—CL 1948, 117.33;—Am. 1978, Act 191, Imd. Eff. June 4, 1978.

117.34 Police officers; powers.

Sec. 34. When any person has committed or is suspected of having committed any crime or misdemeanor within a city, or has escaped from any city prison, the police officers of the city shall have the same right to pursue, arrest and detain such person without the city limits as the sheriff of the county.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3337;—CL 1929, 2270;—CL 1948, 117.34.

117.34a Police officer or constable; authority to execute bench warrant.

Sec. 34a. A police officer of a city or, if authorized by the legislative body, a constable of a city has the same authority within the city as a deputy sheriff to execute a bench warrant for arrest issued by a court of record or a municipal court.

History: Add. 1992, Act 48, Imd. Eff. May 12, 1992.

117.35 Acquisition of property; condemnation or purchase proceedings.

Sec. 35. Any city may acquire by purchase or condemnation proceedings any lands within or without its corporate limits necessary for disposing of sewage or for obtaining or protecting a water supply for the city and the inhabitants thereof, and may acquire by purchase or condemnation proceedings when authorized by the electors of such city any public utility and any water power and water rights for the use of such city within the corporate limits of said city. The jury in condemnation proceedings shall consist of 12 freeholders drawn from the body of the county and if they find the necessity for such use exists and, in case of sewage that the use proposed will not materially injure the health or safety of persons living adjacent to the land, they shall award the compensation to be paid therefor. Other proceedings in such cases shall conform to the general law authorizing cities and villages to take or hold land or property outside of their corporate limit as contained in chapter 90 of the Compiled Laws of 1897, or any other appropriate act now or hereafter existing.

History: 1909, Act 279, Eff. Sept. 1, 1909;—Am. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3338;—CL 1929, 2271;—CL 1948, 117.35.

Compiler's note: Chapter 90, referred to in the last sentence, was repealed by Act 120 of 1967. See now MCL 213.21 et seq.

117.35a General obligation bonds; issuance; conditions.

Sec. 35a. Any municipality with a population of 750,000 or more may issue general obligation bonds and other evidences of debt for all lawful purposes in accordance with state law, but subject to the overall debt limitations provided by state law or the charter of the municipality. No charter shall allocate the debt limitation or any part of the debt limitation to specific purposes.

History: Add. 1966, Act 30, Imd. Eff. May 3, 1966;—Am. 2001, Act 173, Imd. Eff. Dec. 11, 2001.

117.36 Charter provisions; conflict.

Sec. 36. No provision of any city charter shall conflict with or contravene the provisions of any general law of the state.

History: 1909, Act 279, Eff. Sept. 1, 1909;—CL 1915, 3339;—CL 1929, 2272;—CL 1948, 117.36.

117.36a Financial recovery bonds; amounts; terms and conditions; net indebtedness of city; limitations; city with population less than 10,000; "third-party tax collector" defined; refund; deposit of revenues into separate account for paying principal and interest; creation of lien and trust; ability of state treasurer to withhold distributable aid from city; city with population more than 600,000; bonds not subject to MCL 141.2101 to 141.2821.

Sec. 36a. (1) Except as otherwise provided under this section, if a financial emergency exists under the local financial stability and choice act, 2012 PA 436, MCL 141.1541 to 141.1575, a city may issue financial recovery bonds in amounts greater than the limitations established by the city charter or this act.

(2) Any financial recovery bonds issued under this section are subject to the terms and conditions approved by the local emergency financial assistance loan board created under the emergency municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

(3) Any financial recovery bonds issued under this section are not subject to section 5(g).

(4) Notwithstanding subsection (1), the net indebtedness of a city, reduced by any amounts excluded under section 4a(4), shall not exceed 20% of the assessed value of the city.

(5) Notwithstanding subsection (4), the net indebtedness of a city that issues financial recovery bonds under subsection (6), reduced by any amounts excluded under section 4a(4), shall not exceed 12% of the assessed value of the city, adjusted for additions as provided under section 4a(9).

(6) If financial recovery bonds are issued under this subsection by a city with a population of less than 10,000 that is located in a county organized under 1966 PA 293, MCL 45.501 to 45.521, the city may provide in the order authorizing the issuance of the bonds for the deposit of revenues generated from taxes levied by the city, including a tax levied by the city to pay a judgment or comply with a court order, into an escrow account to be used for the purpose of paying principal of and interest on the bonds and the administrative costs associated with issuing the bonds, and the tax revenues may be pledged by the city for the payment of the bonds issued under this section. Bonds issued under this subsection shall be limited in amount to that necessary to pay court-ordered judgments against the city existing on May 25, 2011 and administrative costs associated with issuing the bonds. If the city enters into an agreement with a third-party tax collector pursuant to which the third-party tax collector has the duty to collect taxes that otherwise would be collected by the city treasurer, the agreement shall also provide for the direct payment of all tax revenues pledged for payment of bonds issued pursuant to this section collected by the third-party tax collector to a trustee to be deposited into an escrow account and used for the sole purpose of paying principal of and interest on the bonds. If the city and a third-party tax collector enter into an agreement providing for the direct payment of taxes to a trustee, a statutory lien and trust is created applicable to those tax revenues received or to be received from the third-party tax collector by the trustee. The tax revenues paid or to be paid to a trustee for the purpose of paying the principal of and interest on the bonds issued pursuant to this section shall be subject to a lien and trust, which is a statutory lien and trust paramount and superior to all other liens and interests of any kind, for the sole purpose of paying the principal of and interest on bonds issued pursuant to this section and any other bonds subsequently issued by the city sharing a parity or subordinate pledge of those tax revenues. The lien

and trust created under this subsection for the benefit of bondholders or others is perfected without delivery, recording, or notice. The tax revenues held or to be held by a trustee shall be held in trust for the sole benefit of the holders of the bonds issued pursuant to this section and are exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the city other than for payment of debt service on the bonds to which the lien applies. As used in this subsection, "third-party tax collector" means a party that is not the city treasurer or other elected or appointed city official with whom the city has entered into a contractual agreement pursuant to which the third-party tax collector agrees to collect taxes that otherwise would be collected by the city treasurer.

(7) A city that issues financial recovery bonds under this section subsequently may refund all or a portion of those bonds subject to the terms and conditions approved by the local emergency financial assistance loan board. However, the local emergency financial assistance loan board shall not approve any term or condition under this subsection that materially alters any existing term, condition, lien, or priority that applied to the bonds before the refunding if the approval would constitute an impermissible contract impairment. If financial recovery bonds are or have been issued by a city under this section, the city may provide additional security for the prior bonds pursuant to this subsection and may issue financial recovery bonds pursuant to this subsection to be sold to the Michigan finance authority for the purpose of refunding all or a portion of the prior bonds, or other obligations of the city, and for such other purposes as approved by the local emergency financial assistance loan board. A city may by resolution or order provide for the deposit of revenues pledged for the payment of prior bonds or bonds issued pursuant to this subsection into a separate account for the purpose of paying principal and interest on those obligations, the administrative costs associated with those obligations, and any other obligations issued by the city that are secured by those revenues. For purposes of this subsection, principal and interest may include termination fees and credit enhancement fees, if any. If the city enters into an agreement with a third party that has a duty or obligation under the agreement or under state law to collect for, pay, remit, disburse, or distribute to the city all or a portion of the revenues pledged by the city for the payment of principal and interest on prior bonds or bonds issued pursuant to this subsection, the agreement shall also provide for the direct payment of the revenues that the third party has a duty or obligation to collect for, pay, remit, disburse, or distribute to the city, and that the city has pledged for payment of the prior bonds or bonds issued pursuant to this subsection, to a trustee to be deposited into a trust account and used for the sole purpose of paying principal of and interest on the prior bonds or bonds issued pursuant to this subsection and related administrative costs and any other obligations issued by the city that are secured by those revenues. The agreement shall be authorized by resolution or order of the city and approved by the local emergency financial assistance loan board. If the city and a third party enter into an agreement providing for the direct payment of the revenues pledged by the city for the payment of prior bonds or bonds issued pursuant to this subsection to a trustee, a statutory lien and trust is created applicable to those revenues received from the third party by the trustee, and the revenues paid to a trustee for the purpose of paying the principal and interest on prior bonds or bonds issued pursuant to this subsection shall be subject to a lien and trust that is a statutory lien and trust paramount and superior to all other liens and interests of any kind, for the sole purpose of paying the principal and interest on the prior bonds of the city or bonds of the city issued pursuant to this subsection and related administrative costs and any other obligations issued by the city that are secured by those revenues. The lien and trust created under this subsection is perfected without delivery, recording, or notice. The revenues held by a trustee pursuant to an agreement shall be held in trust pursuant to this subsection and are exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the city other than for payment of debt service on the obligations and related administrative costs to which the lien applies. A statutory lien and trust created by this subsection applicable to distributable aid received from the state treasurer by a paying agent, escrow agent, or trustee, shall apply only to the distributable aid, as that term is defined in section 9 of the fiscal stabilization act, 1981 PA 80, MCL 141.1009, after it has been appropriated and shall be subject to any subsequent reduction of that appropriation by operation of law or executive order. Nothing in this subsection shall abridge or reduce the ability of the state treasurer to withhold distributable aid from a city as provided by the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921. Financial recovery bonds issued pursuant to this subsection are not subject to subsection (4). This subsection shall not be construed to do any of the following:

(a) Create or constitute state indebtedness.

(b) Require the state to continue to impose and collect taxes from which distributable aid is paid or to make payments of distributable aid.

(c) Limit or prohibit the state from repealing or amending a law enacted for the distributable aid, or for the manner, time, or amount of distributable aid.

(8) If a city with a population of more than 600,000 that is located in a county organized under 1966 PA

293, MCL 45.501 to 45.521, issues or has issued financial recovery bonds pursuant to subsection (7), and the city, as a specified condition of the issuance, has entered into an agreement with a trustee for the deposit of revenues pledged by the city into a trust account as provided in subsection (7) that is established for the sole purpose of paying principal of and interest on those bonds and related administrative expenses, and the city has received the approval of the state treasurer, then, at all times after the issuance of the bonds and before the deposit of the revenues of the city into that trust account, the revenues of the city to be deposited are held in trust for the benefit of the trustee and the bonds by any party that comes into possession of the revenues. The revenues are held in trust for the benefit of the trustee and the bonds regardless of whether the city directly collects the revenues, a third party collects the revenues on the city's behalf, or any other person comes into possession of the revenues, and the revenues remain subject to the trust regardless of subsequent transfer or transfers of the revenues until such time as the revenues are deposited into that trust account. To the extent that the city or any other person holds a residual or other interest in the revenues held in trust and to be deposited with the trustee in the trust account, the interest is subordinate to a lien in the revenues in favor of the trustee for the purpose of ensuring delivery of the revenues to the trust account. This lien arises by operation of law and without further act or notice of any kind at the earliest time that the city has or acquires any rights in the revenues pledged pursuant to the agreement, is and will remain paramount and superior to all other liens and interests of any kind, and is perfected without delivery, recording, or notice. The revenues held in trust and to be deposited into the trust account pursuant to this subsection are exempt from being levied upon, taken, sequestered, or applied toward paying the debts or liabilities of the city other than those expressly specified in the agreement described in this subsection and subsection (7).

(9) Financial recovery bonds issued under this section are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

History: Add. 2003, Act 210, Imd. Eff. Nov. 26, 2003;—Am. 2011, Act 7, Imd. Eff. Mar. 16, 2011;—Am. 2011, Act 36, Imd. Eff. May 25, 2011;—Am. 2011, Act 143, Imd. Eff. Sept. 21, 2011;—Am. 2015, Act 17, Imd. Eff. Apr. 22, 2015.

117.37 Saving clause.

Sec. 37. All charters heretofore formulated and all proceedings of charter commissions heretofore had under this act are hereby validated and made effectual so far as the same shall conform to and be within the provisions of this act as amended.

History: Add. 1911, Act 203, Eff. Aug. 1, 1911;—CL 1915, 3340;—CL 1929, 2273;—CL 1948, 117.37.

Compiler's note: Act 203 of 1911, which added this section, was held unconstitutional and void. See note to MCL 117.1.

117.38 Construction of act.

Sec. 38. It is intended by this act to re-enact sections 21, 22, 23 and 24, as above amended pursuant to the adoption of the amendment to section 21 of article 8 of the state constitution by vote of the electors on November 5, 1912, so that cities under existing charters heretofore granted by the legislature shall have the same right and power to amend such charters under the act hereby amended as cities that have adopted complete charter revisions.

History: Add. 1913, Act 5, Imd. Eff. Mar. 11, 1913;—CL 1915, 3341;—CL 1929, 2274;—CL 1948, 117.38.

Compiler's note: In this section, “section 21 of article 8 of the state constitution” refers to the Constitution of 1908. See now Const. 1963, Art. VII, § 22.

LANSING CITY HALL

FEBRUARY 12, 2024

CITY OF LANSING

AGENDA

- BACKGROUND & HISTORY
- WHY NOW? WHAT CHANGED?
- BENEFITS FROM A NEW CITY HALL
- CAN WE RENOVATE CURRENT CITY HALL WITH THE STATE GRANT?
- BUDGET & OPTIONS
- WHAT HAPPENS TO THE CURRENT CITY HALL?
- WHAT'S NEXT?
- QUESTIONS?

BACKGROUND & HISTORY

- City Hall current condition

- Challenges for relocation
  - Courts & lock up
  - Funding

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- RFP Process
  - 2017 & 2022

Photo: Chris Swope

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WHAT NOW? WHAT CHANGED?

State of Michigan Final Signed Budget - Fiscal Year 2024

Sec. 1029. (1) From the funds appropriated in part 1 for transformational municipal infrastructure, the department shall allocate funds to support the development costs of a city campus plan located in a municipality with a population between 106,000 and 108,000 in a county with a population between 280,000 and 290,000 according to the most recent federal decennial census. **Funds utilized for a city campus must include the modernization of a municipal administration campus that will improve customer service and public accessibility, increase building efficiencies, modernize aging facilities, and improve downtown commerce and redevelopment. (2) Funds allocated under this section shall support the development costs of a new city campus plan in the downtown corridor.** For purposes of this section, a city campus plan includes, but is not limited to, a municipal administration building, facilities, and adjacent infrastructure. (3) Consistent with subsection (2), development costs may include any of the following: (a) Property acquisition. (b) Planning, design, and engineering costs. (c) Construction of a new city administration building owned by the applicant for funds under this section. (d) Adjacent infrastructure improvements, including facades, fixtures, equipment, greenspace, streetscapes, utilities, or lighting. (4) In addition to other requirements under this section, the department may require submission of supporting documentation, including, but not limited to, any of the following: (a) A detailed project scope and budget. (b) Demonstration of a competitive bid process. (c) Public support or community engagement activities. (d) Plan designs or engineering documents, including environmental or economic impact. (e) **Historic preservation considerations or evaluation of alternative options. (f) Existing or other planned downtown improvement activities that complement, maximize, or leverage a city campus plan funded under this section.** (g) If applicable, plans to transition any existing public safety facilities currently located at an existing campus to new facilities. (5) **The city campus plan funded under this section must identify any opportunities to leverage efficiencies with other governmental entities in a municipal administration building as part of the city campus plan.** If excess space is available, the applicant for funds under this section shall seek to provide space for community-based organizations or to serve residents. (6) The department shall verify the applicant has complied with this section and all applicable state laws or regulations. To the greatest extent possible, the department shall make funds available by December 15, 2023 to begin implementation of a city campus plan. (7) The unexpended funds appropriated in part 1 for transformational municipal infrastructure are designated as a work project appropriation, and any unencumbered or unallotted funds shall not lapse at the end of the fiscal year and shall be available for expenditures for projects under this section until the projects have been completed. The following is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a: (a) The purpose of the project is to support the costs of a city campus plan. (b) The project will be accomplished by utilizing state employees, contracts with vendors, or local partners. (c) The estimated cost of the project is **$40,000,000.00**. (d) The tentative completion date is September 30, 2027.

BENEFITS FROM A NEW CITY HALL

- How does a new City Hall help all Lansing residents?
  - One stop shop! Customer service on first floor
  - Council meetings more accessible

- Smaller footprint needed now
  - 124 W. Michigan Avenue: 129,853 sq. ft.
  - 217 S. Capitol Ave: 109,826 sq. ft.

- Generates domino effect of additional downtown development
  - We preserve a historic building (State grant language)
  - New hotel for our region

WHY CAN'T WE USE THE MONEY TO FIX OUR CURRENT CITY HALL?

A 2016 City Hall Space Study from DLZ outlined then-current uses and estimates for renovation of current City Hall to code and modernization.

- Hard costs ranged from $41.2 million to $51.6 million
- Total costs ranged from $50.6 million to $65.9 million

The national average increase in commercial construction costs from 2016 to 2023 (through Q3) is approximately 155% (pulled from the Mortenson Construction Cost Index, which is generally regarded as regarded as reliable for this metric)

- The projected 2023 hard costs would range from $63.9 million to $80 million
- The projected 2023 total costs would range from $78.7 million to $102.5 million

Not to mention, we would still need to displace people/departments for renovations (costs not included).

BUDGET & OPTIONS

We have 3 primary options for City Hall:

OPTION 1:

Renovate floors LL-4 (white box top 2 floors)

OPTION 2:

Renovate all floors and move EDP staff in

OPTION 3:

Renovate all floors and move LSD staff in

OPTION	BUDGET	PRO	CON
Renovate floors 1-5	$42M	Fastest	Leave 3 floors unoccupied (State grant language)
Renovate all floors & move EDP	$42M + Brownfield	Most departments get to be in one space	No income generation; creates empty building/block
Renovate all floors & move LSD	$42M + Brownfield	Income generator (rent). Shared Services (ex: security).	

*A Brownfield on existing city hall redevelopment could generate up to $23M

WHAT HAPPENS TO THE CURRENT CITY HALL?

- An interested developer (for over a decade) has proposed to turn our current building into a hotel.
- The building was appraised on March 7, 2023, and valued at $2.78M.
- The redevelopment would take between 2-3 years to complete.
- Additional hotel rooms would boost our downtown businesses and allow for additional events to take place at our Lansing Center.

WHAT'S NEXT?

- Council approval of a purchase agreement (referred at January 8th council meeting).
- Approval of a sale of current city hall (purchase of new city hall happens first).
- Potential brownfield approval (if options 2 or 3 are desired).
- Potential negotiations with LSD (lease agreement).
- Designing new space/programming/logistics for move.

CITY OF LANSING

QUESTIONS?

10

Shelbi Frayer
Deputy Mayor
City of Lansing - Office of Mayor Andy Schor
517-483-4107 Shelbi.Frayer@lansingmi.gov

Lansing City Hall
overview

Three times over the past five years, through multiple administrations, bids have been released, reviewed and unawarded for a replacement of the current functionally obsolete City Hall. Boji Group, a local developer with a strong commitment to Downtown Lansing for over 25 years, has been involved in every attempt to provide a solution for City Hall. Boji Group's most recent bid in March 2022 for a new City Hall although compelling, and even paired with a plan by Beitler Real Estate to purchase and redevelop existing City Hall to a hotel did not solve for the City's greatest hurdle— ***funding***.

The administration's vision for a replacement City Hall remained out of reach. However, the citizens of Lansing spoke loudly in November 2022; approving a millage increase for a new Public Safety Campus inclusive of Courts, Lockup, Police, and Fire Departments totaling $175M. However, City Council and City Administration Departments were not eligible within the millage increase for relocation, requiring a necessary solution for the remaining departments, which cannot sustainably occupy City Hall alone due to its size and reported condition.

In conjunction with the City of Lansing, Boji Group has assisted with efforts to support the costs of a city campus plan. In July 2023, The Capital Caucus appropriated a $40M one-time grant, site specific to the downtown corridor for a new City Hall. With City funding allocated, Boji Group's successful proposal aims to relocate remaining City Departments within 217 S. Capitol Avenue, the former Masonic Temple Building. The move is part of a bigger plan to improve downtown with more housing, entertainment, and economic development. City Hall is still postured for a sale and redevelopment into a hotel, allowing for larger events, both at the Lansing Center and in the downtown area.

With multiple projects in the queue, a proposed $200 million mixed-use development called New Vision Lansing by Gentilozzi Real Estate inclusive of 450 housing units, and the MSUFCU Ovation Entertainment Venue anticipated to hold over 1,800 people, the City of Lansing has momentum. These and other projects will add hundreds of housing units within walking distance of downtown, boost the local economy and culture, while improving the city's infrastructure and services. The relocation of City Hall is part of this vision, as it will enhance customer service and accessibility, and provide a modernized facility for long-term, sustainable operation.

Representative renderings of Lansing City Hall. Krieger Klatt Architects 2023

Lansing City Hall
benefits & impacts

GEOGRAPHICAL
benefits & impacts

LOCATION / ACCESS:
217 S. Capitol Avenue, the former Masonic Temple is across the street from the State Capitol Building and is adjacent to public parking ensuring easy access to government services and officials.

HISTORIC PRESERVATION:
The project will include the renovation and reuse of a historic building in Downtown, which will maintain the city's legacy and enrich the new development with its unique charm. The value of such a facility is priceless in the current construction market.

DOWNTOWN DEVELOPMENT CATALYST:
The project will serve as a catalyst for expanding downtown development by attracting new businesses, residents, and visitors to the area. This will help create a vibrant and thriving community.

$130M stimulus package from the Legislature; resulting in $40M for City Hall, $40M for New Vision Lansing, adding over 450 housing units to Downtown, among many others.

The sale and redevelopment of the Current City Hall into a Hotel.

MSUFCU Ovation Entertainment Venue, will bring concerts back to Lansing with over 1,800 seats.

Hundreds of housing units in various stages of approvals and development.

ECONOMIC
benefits & impacts

ONE-TIME, AREA-SPECIFIC STATE FUNDING:
This project will receive one-time $40M state funding, specific to the downtown corridor, with the former Masonic Temple meeting the specified criteria. This appropriation is separate from the $175M millage increase approved in November 2022.

UNIFYING CITY SERVICES:
Access to City services will remain downtown, keeping residents and employees downtown. This will provide a **"one-stop shop"** for residents, providing easier access to services.

TEMPORARY CONSTRUCTION JOBS:
The project will create temporary construction jobs for the highly skilled union workers, driving additional daytime business into downtown, boosting the local economy.

SPEED TO MARKET:
Renovating the Masonic Temple will allow city operations to commence quicker than a ground-up facility, or renovation of existing City Hall. The one-time relocation of city departments will cause the least amount of disruption to existing employee commutes. The adjacent relocation will remain familiar to the city residents.

CURRENT CITY HALL REDEVELOPMENT:
Allows the administration to market City Hall to a developer for the appraised value with potential redevelopment to a hotel. This will allow Lansing Center to host larger events possible and increase City tax revenue.

ADDITIONAL TAX REVENUE GENERATION:
Current City Hall is property tax exempt; the sale and redevelopment will provide an estimated $725K in annual property taxes to the TIFA.

OPERATIONAL
benefits & impacts

EFFICIENCY OPPORTUNITIES:
Department meetings held to identify spatial needs and deficiencies to provide solutions improving current and anticipated departmental workflow. Implementation will allow for operational cost savings in both the short and long-term.

DESIGN AND TECHNOLOGY:
The project will improve the City's accessibility and functionality with dedicated spaces to serve the public with secured access to City services. The project will include modernization of spaces

OPERATIONAL SAVINGS:
Although the project is an adaptive re-use of a historic building, the city will realize operational savings with up-to-date mechanical, electrical, and plumbing systems as a result of the total project scope.

PRIVATE PUBLIC PARTNERSHIP
benefits & impacts

RISK MITIGATION:
Benefits of a private-public partnership provide sureties to the city, reducing overall risk.

State provided one-time, site-specific funding of $40M to make City Hall project attainable.

Minimize City financial risk by providing a Guaranteed Maximum Price (GMP) contract for redevelopment and responsibility to provide management and services from development through project completion.

Representative rendering of City Council Chambers

DEVELOPER ROLES & RESPONSIBILITIES

Preliminary Development: Inclusive of due diligence, communication strategies, design and engineering management and project pursuit and delivery leadership.

To orchestrate entire development from inception to occupancy, providing guidance and management from preliminary development through post-construction activities.

Provide single point of contact and responsibility for overall project delivery.

Pre-Construction: Interpret and provide guidance on contractor provided documents, value-engineering where possible. Establish, manage, and communicate project schedule, budget, and deliverables to the city.

Construction: Track compliance processes, provide construction management oversight, and work with city through substantial completion, closeouts, punch lists, and move-in.

Post-Construction: After achieving temporary or permanent certificate of occupancy, Developer will work with City to resolve and open items, coordinate final inspections, and provide as-built copies, operation and maintenance manuals, shop drawings, and warranty information to the city.

<u>SITE PURCHASE AGREEMENT</u>

This Site Purchase Agreement (“**Purchase Agreement**”) is made and entered into as of the ________ day of January, 2024 (“**Effective Date**”), by and between 217 CAPITOL, LLC., a Michigan limited liability company (“**Seller**”) and the City of Lansing, a Michigan municipal corporation (“**Buyer**”), and is as follows:

ARTICLE I
DEFINITIONS AND REFERENCES

As used in this Purchase Agreement, the following terms shall have the meanings set forth below:

Buyer’s Representative: Kramer Management Group.

Buyer’s Notice of Intent to Close: Written notice from the Buyer to the Seller, to be delivered by the Buyer on or before June 30, 2024, indicating Buyer’s intention to finalize the conditions to Closing.

Closing: The consummation of Buyer’s purchase of the Property in accordance with Article XI.

Closing Date: Defined in Article XI of this Purchase Agreement.

Commitment: The Preliminary ALTA 2021 Commitment of Title Insurance as designated in Article VII of this Purchase Agreement and provided by Seller to Buyer in the amount of the Purchase Price.

Deed: A recordable warranty deed to be delivered by Seller to Buyer at Closing conveying the Property to Buyer, subject to the Permitted Exceptions.

Effective Date Deposit: Defined in Section 4.03 of this Purchase Agreement.

Investigation Period: Defined in Section 5.01 of this Purchase Agreement.

Permitted Exceptions: collectively, in a form acceptable to Buyer: (i) easements, restrictions, covenants and agreements of record including, but not limited to, those appearing in Schedule B-II of the Commitment to which Buyer does not object in accordance with Article VII below and (ii) zoning ordinances.

Property: The Real Property including all easements, tenements, hereditaments and appurtenances relating to said Real Property which are Permitted Exceptions or otherwise approved by Buyer; all fixtures and equipment relating to the improvements to the Real Property.

Purchase Agreement: This Site Purchase Agreement including the following Exhibits attached hereto and incorporated herein by this reference:

Exhibit A: Legal Description of the Real Property;

Exhibit A-1: Depiction of the Real Property;

Exhibit B: Seller's Neighboring Property;

Exhibit C: Permitted Exceptions.

Purchase Price: The total of the Purchase Price as stated in Article IV, plus or minus prorations and adjustments.

Real Property: The approximately 0.3763 acres of land commonly known as 217 S. Capitol Avenue, Lansing, Michigan 4893, as more particularly described in Exhibit A and depicted in Exhibit A-1.

Title Company: First American Title Insurance Company, 400 N. Water Street, Suite 100, Rochester, MI 48307, 248.540.8035, mlawless@firstam.com.

ARTICLE II
SALE AND PURCHASE

Seller is the owner of the Property. Pursuant to this Purchase Agreement, on the Closing Date Seller agrees to sell and convey, and Buyer agrees to purchase, under the terms and provisions hereinafter provided, the Property.

ARTICLE III
VISIBILITY EASEMENT

Seller owns property located immediately north of the Real Property and legally described on attached Exhibit B (the "**Seller's Neighboring Property**"). Seller covenants that, unless otherwise agreed in writing between the parties, Seller will not permit Seller's Neighboring Property to be used for a purpose other than as a surface parking lot, including improvements and lighting typically consistent with such use. Seller also covenants to maintain such restrictions, including the requirement for Buyer's written agreement for a change in use, as part of any sale or other conveyance of the Seller's Neighboring Property. At Closing, Seller shall grant to Buyer a perpetual visibility easement consistent with this Article and including other necessary lighting and height restrictions on the construction of improvements to Seller's Neighboring Property, such that the view of the Real Property and the Buyer's use of the Property as ultimately improved will not be impaired by any development on the Seller's Neighboring Property (the "**Visibility Easement**"). Seller shall cause the documents creating the Visibility Easement to be prepared at its expense and shall present the same for Buyer's review and reasonable approval (such draft visibility easement, the "**Draft Visibility Easement**"). Buyer shall approve or provide specific comments to the Draft Visibility Easement. Buyer and Seller shall use good faith efforts to negotiate a final Visibility Easement in a form reasonably acceptable to both Buyer and Seller prior to Closing (the "**Final Visibility Easement**"). The Final Visibility Easement shall be provided to Buyer at Closing. Except as provided in Article IV, no additional payments shall be required for such Final Visibility Easement, and the Final Visibility Easement will be recorded at Closing.

ARTICLE IV
PURCHASE PRICE; CERTAIN OTHER PAYMENTS AND EFFECTIVE DATE DEPOSIT

4.01 Purchase Price. The total "**Purchase Price**" for the Real Property shall be **Three Million Six Hundred Fifty Thousand and No/100 Dollars ($3,650,000.00)**, subject to credit for the Effective Date Deposit (as defined in Section 4.03) and as adjusted by prorations determined in accordance with Purchase Agreement. The balance of the Purchase Price shall be paid at Closing as described in Article XII.

4.02 Reimbursement Costs and Visibility Easement Payment. At Closing, Buyer shall also pay to Seller **One Million Three Hundred Fifty Thousand and No/100 Dollars ($1,350,000.00)** as a Reimbursement Costs and Visibility Easement Payment, as reimbursement to Seller for certain of its site preparation costs, carrying costs and other similar costs to own the Property prior to and as of the Closing Date, and for acquisition of the Final Visibility Easement.

4.03 Deposit.

(a) Within five (5) business days of the Effective Date, Buyer shall deposit with the Title Company the amount of **Fifty Thousand and No/100 Dollars ($50,000.00)** (the "**Effective Date Deposit**").

(b) The Effective Date Deposit shall be held pursuant to the standard form of strict joint order escrow instructions in use by the Title Company. Upon Buyer's direction and at its expense, the Title Company may deposit and hold the Effective Date Deposit in an interest-bearing account with interest accruing to the Buyer and invest such deposit in readily available funds at the direction of Buyer. Buyer shall receive a credit at Closing for the amount of the Effective Date Deposit. If the Effective Date Deposit is returned to the Seller, it shall not include interest earned as a result of Buyer's direction and expense.

ARTICLE V
ENTRY; INVESTIGATION PERIOD

5.01 *Inspection; Right of Entry*.

(a) Within five (5) business days after the Effective Date, Seller shall, at Seller's sole cost and expense, provide to Buyer all feasibility studies, soil reports, environmental audits and other appraisals, inspections, permits, tests, reports, surveys or information in the possession or control of Seller with respect to the Property.

(b) During the period commencing on the Effective Date and expiring one hundred and twenty (120) days after the Effective Date (the "**Investigation Period**"), at Buyer's sole expense, Buyer, Buyer's Representative or its authorized representatives, agents, employees, contractors, architects and engineers designated by Buyer (collectively, "**Buyer's Consultants**") may enter upon the Real Property at reasonable times and do and perform all surveying, engineering, soil borings, environmental and other tests and inspections deemed necessary by Buyer to satisfy Buyer that the Property is suitable for the uses and purposes intended by Buyer, including but not limited to: reviewing all building plans, construction specifications and any other physical or municipal components of the Property; performing a Phase I environmental assessment and a soil and geotechnical analysis; confirming all utilities and site conditions; conducting any other test, study, investigation, inspection or report Buyer deems advisable with respect to the Property; provided however in no event shall Buyer be permitted to perform any physical or intrusive testing, including, without limitation, a Phase II environmental assessment or boring on the Property, without the prior written consent of Seller, which shall not be unreasonably withheld, conditioned or delayed.

(c) Prior to Buyer, Buyer's Representative or Buyer's Consultants entering onto the Property, Buyer shall give Seller forty-eight (48) hours prior notice of such entry. Seller shall have the right (but not the obligation) to accompany Buyer, Buyer's Representative and Buyer's Consultants during such entry. Buyer shall take all steps reasonably necessary to protect the Property from damage by reason of its activities. Buyer shall repair any such damage to the Property resulting from Buyer's, Buyer's Representative's and/or Buyer's Consultants' activities on the Property, to the extent necessary, to the condition existing prior to such damage.

(d) To the extent it would prevent a successful Closing, or prevent Seller from completing improvements contemplated for the Property, or otherwise impair Seller's current title to the Property, Buyer shall not permit any construction, mechanic's, materialman's or other lien to be filed against any of the Property as the result of any work, labor, service or materials performed or furnished by, for or to Buyer, Buyer's Representative's and/or Buyer's Consultants. If any such impairing lien shall at any time be filed against the Property, Buyer shall, without expense to Seller, cause the same to be discharged of record by payment, bonds, order of a court of competent jurisdiction or otherwise.

(e) If the Closing does not occur, then upon Seller's request, Seller shall be entitled to receive copies of any inspection reports and studies of the Property obtained by Buyer with respect to the Property. Seller will reimburse Buyer for half of the cost of any such requested report or study. This subsection shall survive the termination of this Agreement.

5.02 ***Termination During Investigation Period***.

In the event that Buyer is not satisfied, in its sole and absolute discretion, with its inspections and tests of the Property, the physical condition of the Property or the fitness or feasibility of the Property for any reason whatsoever, Buyer may, by written notice to Seller, terminate this Purchase Agreement at any time on or prior to the expiration of the Investigation Period. In the event that Buyer so terminates this Purchase Agreement, Buyer and Seller shall have no further obligations hereunder except those that expressly survive termination and the Effective Date Deposit shall be promptly returned to Buyer. If Buyer does not timely give a notice of termination under this Section 5.02, then Buyer shall be deemed to have waived its conditions and rights under this Section only.

ARTICLE VI
RISK OF LOSS

Until the Closing, all risk of loss from any or all damage, injury, casualty and condemnation to the Property shall be borne by Seller, subject to the provisions of Articles XVII and XVIII.

ARTICLE VII
INITIAL REVIEW OF SURVEY AND TITLE COMMITMENT

Within twenty (20) days after the Effective Date, Seller shall cause to be delivered to Buyer, at Seller's expense:

(a) the initial Commitment;

(b) full legible copies of all documents referred to in such Commitment as exceptions to title; and

(c) a new or updated ALTA/NSPS survey of the Property (the "**Updated Survey**").

In the event that any exceptions or defects appear in the Commitment that are not Permitted Exceptions, or if the Updated Survey discloses defects, which, in Buyer's sole discretion, would adversely impact Buyer's proposed use of the Property or otherwise render title to the Property unmarketable or are otherwise deemed unacceptable to Buyer (collectively, "**Unpermitted Exceptions**"), then Buyer shall notify Seller in writing thereof within thirty (30) days after Buyer has received both the Commitment (and all underlying title documents) and the Updated Survey, but not later than the expiration date of the Investigation Period. If Buyer so notifies Seller of any Unpermitted Exceptions, Seller shall have fifteen (15) days thereafter to cure such matters or cause the Title Company to commit to insure against such matters in a manner which is reasonably satisfactory to Buyer. If, by the expiration of such fifteen (15) day period, Seller fails to have any such Unpermitted Exceptions so removed or satisfactorily insured over, Buyer may, by written notice to Seller given within thirty (30) days thereafter, elect to terminate this Purchase Agreement, in which event the Effective Date Deposit shall be returned to Buyer.

All exceptions to title reflected on the Commitment or Survey which are not Unpermitted Exceptions shall be referred to hereinafter as "**Permitted Exceptions**" and shall be listed on Exhibit C which shall be attached to each fully-executed original of this Purchase Agreement within ten (10) days after expiration of the aforementioned fifteen (15) day curative period.

In addition, Seller shall be obligated to remove at or prior to Closing, and at Seller's expense, (i) any mortgages or deeds of trust securing any financing obtained or expressly assumed by Seller; (ii) any mechanics or materialmen's liens for work done pursuant to a contract executed by Seller which remains unpaid; and (iii) any judgment liens, U.S. tax liens, or real property tax liens (except for any taxes not yet due and payable) not caused or created by Buyer (items (i) through (iii) are, collectively, the "**Mandatory Cure Items**"). Buyer shall have no obligation to object to any Mandatory Cure Items, and such Mandatory Cure Items shall not be or become Permitted Exceptions and shall be discharged by Seller at or before Closing.

ARTICLE VIII
STATE OF TITLE

Within three (3) business days after receipt of Buyer's Notice of Intent to Close, Seller shall cause to be delivered to Buyer an updated Commitment, effective as of such date. If any updated Commitment raises Unpermitted Exceptions or otherwise fails to comply with the Commitment as approved pursuant to Article VII, Buyer shall give written notice thereof to Seller within fifteen (15) days after the delivery to Buyer of the updated Commitment. Seller shall use reasonable efforts to cure such objections or delete the matters objected to from such Commitment. If Buyer's objections are not cured or deleted at or prior to the scheduled Closing Date, then Buyer may, in addition to other remedies that may be available to it, either (i) terminate this Purchase Agreement, in which event the Effective Date Deposit shall be returned to Buyer, or (ii) elect to accept title as it then is with the right to deduct from the Purchase Price Unpermitted Exceptions caused by the Seller or Mandatory Cure Items of a definite or ascertainable amount. At Closing, Seller shall convey to Buyer, by delivery of the Deed, good and marketable fee title to the Property, subject only to the Permitted Exceptions. At Closing, Seller shall pay the premiums and all other expenses pertaining to the issuance of the Owner's Policy as hereinafter provided in Article XIX hereof; provided, however, that Buyer shall pay the cost of any endorsements it may request.

ARTICLE IX
PRORATIONS

9.01 Prorations. Real estate taxes and assessments for any period prior to Closing shall be prorated on a calendar year basis as of 11:59 P.M. on the Closing Date, on the basis of the most recent ascertainable amounts of such items and the net credit shall be a credit on the proration statement, to be re-prorated on receipt of a final bill for such period.

9.02 Utilities. Buyer and Seller shall cooperatively take all steps necessary to effectuate the transfer of all utilities for the Property from Seller to Buyer as of the Closing Date. Utilities shall be paid by Seller to and including the Closing Date, and by Buyer thereafter. Final meter readings shall be ordered by Seller and made on the Closing Date. To the extent any such expenses and charges are not determinable as of the Closing Date or Seller is not able to effectuate a meter reading on the Closing Date, such expenses and charges shall be paid promptly upon receipt of an invoice therefor by the party obligated for payment thereof. Seller shall be entitled to recover its previously paid deposits held by any utility company for the Property as of the Closing Date, to the extent not necessary to pay expenses and charges attributable to Seller on or before the Closing Date.

ARTICLE X
POSSESSION

Exclusive possession shall be delivered to Buyer at Closing concurrently with delivery to Buyer of the Deed subject only to Permitted Exceptions and delivery to Seller of the balance of the Purchase Price and the Reimbursement Costs and Visibility Easement Payment.

ARTICLE XI
CLOSING

Unless Buyer and Seller otherwise agree in writing, the closing of the transaction contemplated herein (the "**Closing**") shall take place in escrow at the office of the Title Company on the date mutually agreed upon by the parties, but not more than thirty (30) days following the Buyer's Notice of Intent to Close (the "**Closing Date**"). Upon creation of the escrow, anything herein to the contrary notwithstanding, payment of the Purchase Price (less the Effective Date Deposit and as adjusted by prorations or other deductions), the Reimbursement Costs and Visibility Easement Payment and delivery of the Deed shall be made through the escrow. The escrow instructions shall be in the form customarily used by the Title Company for a Deed and money escrow with such special provisions added thereto as may be required to conform to the provisions of this Purchase Agreement, and at the option of either Buyer or Seller, shall provide for immediate disbursement of funds, both parties agreeing to provide such undertakings as may be required for such purpose.

ARTICLE XII
CLOSING DELIVERABLES

12.01 Closing Deliveries. The following deliveries shall be made at or before Closing. All of such deliveries to be made or caused to be made by either party shall, at the option of the other, be conditions precedent to such other party's obligation to close hereunder, any or all of which may be waived in writing by such other party.

(a) Seller shall deliver or cause to be delivered to Title Company, for delivery to Buyer, the following certificates, documents, instruments and agreements:

(i) The Deed and a real estate transfer tax valuation affidavit;

(ii) A bill of sale conveying any items of personal property referred to in Article II, in their as-is condition, with such customary representations and warranties as may be contained in any bill of sale;

(iii) The Final Visibility Easement;

(iv) An affidavit of Seller, acceptable to Buyer, dated the Closing Date, that there are no unsatisfied judgments, tax liens or bankruptcies involving the Seller and the Property, as applicable, together with any other customary affidavits requested by the Title Company to facilitate Closing;

(v) Assignment of all of Seller's right, title and interest in and to all assignable governmental permits and licenses, if any, issued in connection with the Property together with originals, if held by Seller, or photocopies of the same; or, if there are none, an affidavit of Seller to that effect;

(vi) The Owner's Policy issued by the Title Company pursuant to the Commitment described in Article VII hereof for the full amount of the Purchase Price showing title to the Property in Buyer and subject only to the Permitted Exceptions (the "**Owner's Policy**");

(vii) An affidavit of Seller certifying that Seller is not a "foreign person" for purposes of Section 1445 of the Internal Revenue Code;

(viii) Seller's certificate dated as of Closing confirming that all of Seller's representations and warranties contained in this Purchase Agreement are accurate, current and complete in all material respects; and

(ix) Any and all other documents elsewhere described herein or as may be mutually agreed on between Buyer and Seller as are determined necessary in order to effectuate Closing, including, without limitation, an agreed proration statement, and including such undertakings as may be required by the Title Company to enable them to disburse funds immediately on recording the Deed and delivering the Owner's Policy.

(b) Buyer shall deliver or cause to be delivered to Title Company, for delivery to Seller, the following:

(i) The balance of the Purchase Price by wire transfer of funds (less the Effective Date Deposit and as adjusted by any prorations or other deductions);

(ii) An original counterpart of the Assignments referred to in clauses (a)(iv) and (a)(v) above, duly and properly executed and acknowledged by Buyer;

(iii) Resolution(s) of the City of Lansing City Council sufficient to authorize the transactions contemplated by this Purchase Agreement (the "**Resolution**");

(iv) The Reimbursement Costs and Visibility Easement Payment;

(v) Any and all other documents elsewhere described herein or as may be mutually agreed on between Buyer and Seller as are determined to be reasonably necessary in order to effectuate the Closing of this transaction, including such reasonable undertakings as may be required by the Title Company to enable the Title Company's immediate disbursement of funds upon recording of the Deed and delivering the Owner's Policy.

(c) Seller and Buyer shall deliver to each other and to Title Company at Closing an agreed settlement statement reflecting the adjustments and prorations pursuant to this Purchase Agreement.

(d) Buyer shall have received State of Michigan appropriated funding intended to be used for development or redevelopment of a city hall administration building (the "**Appropriation**"), and the City of Lansing City Council shall have approved receipt of such Appropriation.

(e) Unless waived or otherwise agreed to in writing by the Buyer, Buyer shall have received from Seller, no less than 30 days prior to Closing, a Guaranteed Maximum Price Proposal in a mutually agreed upon format, for the development, design and construction of the Buyer's required improvements to the Property, in an amount acceptable to the parties.

ARTICLE XIII
REPRESENTATIONS AND WARRANTIES

13.01 Seller's Representations and Warranties. Without intending to limit any other provision of this Purchase Agreement, and as a material inducement to Buyer to enter into this Purchase Agreement, Seller represents and warrants, as of the Effective Date (except as otherwise expressly set forth below) and will again as of the Closing Date:

(a) Except for any Permitted Exceptions, Seller is not subject to any other agreement or arrangement, including any rights of first refusal or option to acquire title, which would prevent Seller from selling the Property to Buyer or otherwise performing all of its obligations hereunder.

(b) All necessary action has been taken by Seller to authorize the execution of this Purchase Agreement and the performance of its obligations required hereunder.

(c) There is no litigation pending, and Seller has not received written notice of any claims, causes of action or other litigation or proceedings threatened in respect to the ownership or operation of the Property or any part thereof, or relating to Seller's ability to convey the Property to Buyer or perform any of its obligations or make any of its representations or warranties hereunder including, without limitation, disputes with tenants, mortgagees, governmental authorities, utilities, contractors, adjoining land owners and suppliers of goods and services.

(d) This Purchase Agreement is valid and enforceable against Seller in accordance with its terms and each instrument executed and delivered by Seller pursuant hereto shall be valid and enforceable against Seller in accordance with its terms.

(e) The Property is adequately insured against property damage and liability risks, and will continue to be so insured through the Closing Date, as evidenced by declarations copies provided to Buyer.

(f) To Seller's knowledge, the Property is not in violation of any federal, state or local laws, rules, regulations, governmental permits or other binding determinations of any governmental authority relating to or addressing the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), 42 U.S.C. §9601, et seq., and the Resource Conservation and Recovery Act, as amended ("RCRA"), 42 U.S.C. §6901, et seq., (collectively, "Environmental Laws") and Seller does not know of, and has not been advised of, any legal proceedings or claims under, any deviation from, or any violations or infractions of, any Environmental Laws in regard to the Property.

The above representations and warranties shall survive the Closing for a period of twelve (12) months and shall not merge into any conveyance documents.

It is a condition precedent to Buyer's obligation to close that each of the representations and warranties of Seller contained in this Purchase Agreement shall be accurate, current and complete in all material respects at Closing. If any of the same ceases to be accurate, current and complete prior to Closing in all material respects, Seller shall immediately (within five (5) days) inform Buyer thereof. In the event that Seller notifies Buyer that any of the warranties or representations of Seller contained in this Purchase Agreement are not accurate, current or complete in all material respects and further in the event that any such misrepresentation or breach of warranty is not the result of Seller's intentional act or failure to act, then Seller shall be afforded thirty (30) days from the date of such notice to Buyer in order to take any action necessary so that such representation and warranty is materially accurate, current and complete. If Seller fails to do so within such thirty (30) day period, then at the option of Buyer (which option shall be exercised in writing within thirty (30) days after the expiration of such thirty (30) day cure period), Buyer may exercise its remedies for a Seller's default as provided in Article XV. Buyer's failure to give such notice within said time period shall be conclusive evidence that Buyer has waived the option to terminate by reason of any such misrepresentation or breach of warranty of which it has received notice. In the event that any such misrepresentation or breach of warranty is the result of Seller's intentional act or failure to act, Seller covenants forthwith to take all action necessary so that each such warranty or representation so affected remains accurate, current and complete, regardless of any such notice.

13.02 Buyer's Representations and Warranties. Without intending to limit any other provision of this Purchase Agreement, Buyer represents and warrants, as of the Effective Date (except as otherwise expressly set forth below) and will again as of the Closing Date:

(a) All necessary actions including adoption of the Resolution have been taken by Buyer to authorize the execution of this Purchase Agreement and the performance by the Buyer of its obligations required hereunder.

(b) The execution, delivery and performance of this Purchase Agreement by Buyer and the consummation of the transactions contemplated herein will not, subject to the approval of this Purchase Agreement: (i) result in a breach or acceleration of or constitute a default or event of termination under the provisions of any agreement or any instruments by which Buyer is bound or affected which would have a material adverse impact on the ability of Buyer to close the acquisition of the Property pursuant to the terms of this Purchase Agreement; (ii) constitute or result in the violation or breach by Buyer of any judgment, order, writ, injunction or decree issued against or imposed upon Buyer or result in the violation of any applicable law, rule or regulation of any governmental authority that, with respect to any of the foregoing, would have a material adverse impact on the ability of Buyer to timely complete the acquisition of the Property pursuant to this Purchase Agreement.

ARTICLE XIV
DISPUTE RESOLUTION

Seller and Buyer agree to make good faith efforts to resolve any differences or disputes which may arise under this Purchase Agreement in an expeditious manner, especially those disputes specifically mentioned in other provisions of this Purchase Agreement which refer to this Article for resolution. Such good faith efforts shall include involvement of the Seller's and Buyer's counsel and other experts to assist in expeditious dispute resolution. If any dispute which may delay Closing is not resolved, such dispute shall be resolved in the State Courts sitting in Ingham County, Michigan. This Article shall survive the termination of this Agreement.

ARTICLE XV
DEFAULT

Subject to the limitations set forth below, if Seller shall have failed to perform any term or condition hereof required to be so performed by it on or prior to Closing, and such failure is not the result of a default or failure by Buyer to perform pursuant to this Purchase Agreement, Buyer may, as its sole remedies pursuant to this Purchase Agreement (i) terminate this Purchase Agreement by written notice to Seller and the Effective Date Deposit shall be promptly returned to Buyer; or (ii) elect to pursue a claim for specific performance of this Purchase Agreement against Seller. Any action for specific performance shall be commenced on or before the date that is sixty (60) days after the cure period has expired for the alleged breach.

If Buyer shall have failed to perform any term and condition hereof required to be so performed by it on or prior to Closing, and such failure is not the result of a default or failure to perform by Seller, then Seller may retain the Effective Date Deposit as its sole and exclusive remedy, the amount thereof being fixed and liquidated damages, it being understood that Seller's actual damages in the event of such default are difficult to ascertain and that such proceeds represent the parties' best current estimate of such damages, and this Purchase Agreement shall terminate and become null and void and of no effect and the parties shall be released from all further obligations hereunder, except for any representations, warranties or obligations which expressly survive Closing. This Article shall survive the termination of this Purchase Agreement.

ARTICLE XVI
BROKERS

Each of the Seller and Buyer represents and warrants to the other that it has not dealt with any broker or finder in the location of the Property or the negotiation of this sale. Seller hereby agrees to indemnify Buyer for any claim for brokerage commission or finder's fee asserted by a person, firm or corporation, claiming to have been engaged by Seller and for any and all loss, damage, liability and expense (including, without limitation, attorneys' fees and other litigation expenses through and including any appellate proceedings) Buyer may suffer, sustain or incur as a result of any misrepresentation or breach of warranty by Seller under this Article XVI.

ARTICLE XVII
DAMAGE AND DESTRUCTION

If, prior to Closing, the Property shall be destroyed or damaged by fire or other casualty, then Seller shall give written notice to Buyer of the occurrence thereof within forty-eight (48) hours of Seller's receipt of any such notification or learning of the occurrence thereof, and Buyer shall be entitled to the following options: (i) terminate this Purchase Agreement and receive a refund of the Deposit, (ii) receive at Closing an absolute assignment from Seller of any interest Seller may have otherwise had in the proceeds of any insurance on the Property (including any rent loss insurance allocable to the period from and after the Closing Date) less any reasonable costs incurred by Seller in securing such proceeds and/or adjusting the loss and/or in undertaking any required repairs at Seller's expense, and Buyer shall proceed with the Closing on the Property in its then "as-is" condition with no reduction in the Purchase Price, or (iii) if the repairs can be completed prior to Closing or are necessary to secure or protect the Property, Seller shall proceed to complete such repairs prior to Closing based upon a work plan reasonably satisfactory to Buyer and Seller, including adjusting the Closing Date as reasonably necessary in the event Buyer has already issued its Notice of Intent to Close, and Seller shall use the insurance proceeds toward payment for such repair costs.

ARTICLE XVIII
CONDEMNATION

In the event of the institution of any proceeding, judicial, administrative or otherwise, prior to Closing, which shall relate to the proposed taking of any substantial portion of the Property by condemnation or eminent domain or any action in the nature of eminent domain, or the taking or closing of any right of access to the Property, Seller shall immediately give written notice to Buyer of the occurrence thereof, and thereafter this Purchase Agreement, at the option of Buyer shall become null and void, the Effective Date Deposit shall be refunded to Buyer and any documents deposited hereunder or in the escrow contemplated hereby shall be returned to the respective parties. Seller hereby agrees to furnish Buyer written notification with respect to any such taking or proceedings within forty-eight (48) hours of Seller's receipt of any such notification or learning of the occurrence or institution thereof. Should Buyer elect to so terminate this Purchase Agreement, the parties hereto shall be released from any and all further obligations hereunder except those provided for in this Purchase Agreement including the return to Buyer of the Effective Date Deposit. Notwithstanding the foregoing, if such proceeding by way of condemnation or eminent domain shall be "**insubstantial**," Buyer shall not have the right to terminate this Purchase Agreement but shall be credited with or assigned all Seller's right to any proceeds therefrom. An "insubstantial" proceeding shall be one which (i) does not relate to the taking or closing of any immediate right of access to the Property or any parking at the Property and (ii) affects only the perimeter of the Property and does not involve more than the equivalent of $100,000.00 in value. In the event the parties hereto are unable to agree on the "substantiality" of the aforesaid taking within thirty (30) days after the date of Buyer's receipt of written notice thereof, then the determination of said issue will be in accordance with the provisions of Article XIV.

ARTICLE XIX
COSTS

(a) At or prior to Closing, Seller shall pay the following:

(i) all real estate transfer taxes;

(ii) all title insurance premiums and expenses respecting the Commitment and Owner's Policy, including extended coverage but excluding any endorsements thereto required by Buyer;

(iii) the cost of recording the Final Visibility Easement;

(iv) one-half (1/2) of the Title Company escrow charges;

(v) the fee for the Surveys including the Updated Survey; and

(vi) other customary Seller's charges.

(b) At or prior to Closing, Buyer shall pay the following:

(i) the costs of any endorsements to the Owner's Policy required by Buyer;

(ii) one-half (1/2) of the Title Company escrow charges;

(iii) the cost of recording the Deed; and

(iv) other customary Buyer's charges.

ARTICLE XX
NOTICES

All notices required or permitted to be given under this Purchase Agreement shall be in writing and shall be sent or delivered to the addresses set forth below (or such other address as may be hereafter specified):

To Seller: 217 CAPITOL, LLC
124 W. Allegan
21st Floor
Lansing, Michigan 48933
Attn: John N. Hindo, President
E: JHindo@bojigroup.com

With a copy to: Honigman LLP
Attn: Lowell D. Salesin, Esq.
39400 Woodward Avenue, Suite 101
Bloomfield Hills, Michigan 48304
E-Mail: lsalesin@honigman.com

To Buyer: Office of the Mayor, City of Lansing
124 W Michigan Avenue, 9th Floor
Lansing, MI 48933
Attn: Mayor Andy Schor
lansing.mayor@lansingmi.gov

With a copy to: Office of the City Attorney, City of Lansing
124 W Michigan Avenue, 5th Floor
Lansing, MI 48933
Attn: Jim Smiertka, City Attorney
jim.smiertka@lansingmi.gov

Notices shall be sent either by personal delivery, overnight courier guaranteeing next day delivery or email and shall be deemed given one (1) business day following deposit if delivered to an overnight courier guaranteeing next day delivery or on the same day if sent by personal delivery or email (with proof of transmission). Notices may also be delivered by email or facsimile and shall be deemed received upon proof of transmission. Attorneys for each party shall be authorized to give notices for such party.

ARTICLE XXI
ADDITIONAL COVENANTS

In addition, the parties agree as follows:

(a) Authority to Sign. Each person signing this Purchase Agreement for Seller and for Buyer warrants, by his or her signature, that he or she has full authority to enter into this Purchase Agreement on behalf of the party for whom he or she signs.

(b) Written Agreement and Exhibits. This Purchase Agreement and any exhibits attached hereto set forth the entire understanding between the parties with respect to the transactions contemplated herein, and supersede all previous agreements, discussions and representations. This Purchase Agreement may not be modified except in writing, signed by Buyer and Seller.

(c) Headings. The paragraph headings used in this Purchase Agreement are for the convenience of the parties only, do not constitute part of the contract herein set forth, and shall not be relied on in interpreting or construing any provision hereof.

(d) Attorneys' Fees. In the event Buyer finds it necessary to employ legal counsel or to commence litigation or other proceedings against Seller with respect to or on account of this Purchase Agreement, Buyer shall be entitled to recover from Seller all fees, charges, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Buyer in connection with actual or contemplated enforcement of its rights and remedies hereunder (which costs, expenses, fees and charges shall be included in the amount of any judgment rendered). This subsection shall survive termination of this Purchase Agreement.

(e) Time Periods. Time is of the essence of this Purchase Agreement. Except as otherwise specifically provided in this Purchase Agreement, all time periods provided for herein shall refer to calendar days and shall expire at 11:59 P.M. Eastern Time on the last of such days; provided, however, that if the time of the performance of any obligation under this Purchase Agreement expires on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding day which is not a Saturday, Sunday or legal holiday.

(f) Construction of Agreement. Buyer and Seller confirm to each other that both they and their respective counsel have reviewed and revised this Purchase Agreement and that any presumption or other rule of construction to the effect that ambiguities are to be resolved against the party with primary drafting responsibility therefor shall not apply to this Purchase Agreement or to any provision hereof. Subject to the foregoing, this Purchase Agreement shall be construed as a whole in accordance with its fair meaning.

(g) Waiver. Except as otherwise may be expressly provided to the contrary herein: (i) no failure to exercise or delay in exercising by any party hereto of any right or remedy consequent upon a breach, and no failure to insist on or delay in insisting on the strict performance, of any provision of this Purchase Agreement shall constitute or operate as a waiver thereof or of any other right or remedy or of any other provision hereof or of any subsequent breach of the same or any other provision hereof, and such party shall retain all rights and remedies provided for herein or now or hereafter existing at law or in equity with respect to the same or any subsequent act or omission which constitutes such breach or nonperformance; and (ii) no partial exercise of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy provided for herein or now or hereafter existing at law, in equity or otherwise. A waiver in one or more instances of any provision hereof or breach thereof shall apply to the particular instance and at the particular time only, and no such waiver shall be deemed a continuing waiver, nor shall any waiver of a Closing delivery to be provided hereunder operate to preclude the party waiving such delivery from commencing any action after Closing as to a breach of warranty or representation which breach would have been disclosed by the delivery of such item. No provision of this Purchase Agreement to be performed or complied with by any party, and no breach thereof, shall be waived, altered or terminated except by a written instrument executed by the other party. No course of dealing between the parties shall operate as waiver of any of their respective rights, powers or privileges under this Purchase Agreement.

(h) Further Assurances. As and to the extent otherwise contemplated by this Purchase Agreement, each party to this Purchase Agreement agrees that at any time and from time to time after the date hereof it will, at its own sole cost and expense, immediately following the reasonable request of the other party hereto, promptly execute, acknowledge (if necessary) and deliver or cause to be promptly executed, acknowledged (if necessary) and delivered, such agreements, certificates, statements, instruments and documents, and promptly take, or promptly cause to be taken, such other and further steps and actions, in either case as may be required by law or as reasonably shall be deemed necessary by the other party in order to more fully effect, evidence or carry out the intent and purpose of this Purchase Agreement or as shall be essential to satisfy Title Company's requirements.

(i) Invalidity of Particular Provisions. If any provision contained in this Purchase Agreement or the application thereof to any person, entity or circumstance shall, for any reason or to any extent, be held to be invalid, illegal or unenforceable in any respect, all other provisions hereof, as well as the application of the affected provision to persons, entities or circumstances other than those as to which it is held to be invalid, illegal or unenforceable, shall not be affected thereby and, to the extent permitted by law, this Purchase Agreement shall be legal and valid and enforced to the fullest extent permitted by law as if such invalid, illegal or unenforceable provision had never been included herein; it being intended by the parties hereto that each of the provisions hereof shall be severable. Moreover, it is the intention of the parties hereto that if any provision of this Purchase Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

(j) Gender and Number. This Purchase Agreement shall be so construed that whenever applicable the use of the singular number shall include the plural number, the use of the plural number shall include the singular number, and the use of the feminine, masculine or neuter gender shall include the other genders.

(k) Applicable Law. This Purchase Agreement shall be governed by and construed and enforced in accordance with, the laws of the State of Michigan applicable to agreements made and to be performed wholly therein.

(l) Successor and Assigns. This Purchase Agreement shall be binding upon and inure to the benefit of Buyer, Seller and their respective heirs, executors, personal representatives, successors and assigns. Either party hereto may assign its rights hereunder to an entity owned or controlled by such party at any time prior to Closing by giving notice thereof to each of the other party hereto and Title Company. However, following any such assignment, the assigning party shall not be released from its obligations hereunder thereafter accruing.

(m) Counterparts; Multiple Originals. For the convenience of the parties, this Purchase Agreement may be executed in any number of separate identical counterparts. Any counterpart or set of identical counterparts containing original signatures for both Buyer and Seller shall constitute an original agreement for all purposes. Although there may be multiple originals, all of them together shall constitute in the aggregate but one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Purchase Agreement to be executed and delivered as of the day and year first above written.

SELLER: **217 CAPITOL, LLC**, a Michigan limited liability company

By: ______________________________

Name: Ronnie J. Boji
Its: Authorized Representative

BUYER: **City of Lansing**, Counties of Ingham and Eaton, State of Michigan

By: ______________________________

Name: Andy Schor
Its: Mayor

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY

Land Situated in the State of Michigan, County of Ingham, City of Lansing.

The South 52 feet of Lot 9; the North 14 feet of Lot 9, and the South 33 1/6 feet of Lot 10, block 115, Original Plat, City of Lansing, Ingham County, Michigan, according to the Plat thereof, as recorded in Liber 2 of Plats, Page 36, Ingham County Records.

EXHIBIT A-1
DEPICTION OF THE PROPERTY

[To be inserted]

EXHIBIT B
SELLER'S NEIGHBORING PROPERTY

EXHIBIT C
PERMITTED EXCEPTIONS

[To be inserted]

076492.000039 4869-2524-4037.8

Appraisal Report

Temple Building
217 South Capitol Avenue
Lansing, Ingham County, Michigan 48933

Report Date: October 5, 2023

FOR:

Ms. Shelbi Frayer
Deputy Mayor/Chief of Staff
City of Lansing
124 W. Michigan Ave.
Lansing, Michigan 48933

Valbridge Property Advisors | Southern Michigan

2127 University Park Drive, Suite 390
Okemos, Michigan 48864

517.336.0001 phone
517.336.0009 fax
valbridge.com

Valbridge File Number:
MI01-23-0266

1420 Washington Blvd.
Detroit, MI 48226
313-986-3313

2127 University Park Drive
Suite 390
Okemos, MI 48864
517-336-0001
valbridge.com

October 5, 2023

Ms. Shelbi Frayer
Deputy Mayor/Chief of Staff
City of Lansing
124 W. Michigan Ave.
Lansing, Michigan 48933

RE: Appraisal Report
Temple Building, 217 South Capitol Avenue, Lansing, Ingham County, Michigan 48933

Dear Ms. Frayer:

In accordance with your request, an appraisal of the above referenced property was performed. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to the value opinions. This letter of transmittal does not constitute an appraisal report and the rationale behind the value opinion(s) reported cannot be adequately understood without the accompanying appraisal report.

The subject property, as referenced above, is located the east side of South Capital Avenue and is further identified as tax parcel number 33-01-01-16-328-021. The subject site is a 0.38-acre or 16,379-square-foot parcel. The subject property consists of a high-rise structure made of steel and stone construction and was built in 1924. The building has 7 floors above ground and one lower level, combining for a total of 109,826 square feet. As of the effective date of this appraisal, the subject's building was configured for educational use.

The analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client.

The client and intended user of this assignment is the City of Lansing and no others. The intended use is for possible acquisition. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

The value conclusions are based on the analysis in the following report and presented in the following table:

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	October 4, 2023
Value Conclusion	**$3,650,000**
	$33.23 PSF

This letter of transmittal is not considered valid if separated from this report and must be accompanied by all sections of this report, as outlined in the table of contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,

VALBRIDGE PROPERTY ADVISORS | THE OETZEL – HARTMAN GROUP

James T. Hartman, MAI, SGA, AI-GRS
Certified General Real Estate Appraiser
State of Michigan, License # 1205005950
jhartman@valbridge.com

Cameron M. Clark
Certified General Real Estate Appraiser
State of Michigan, License # 1205075247
cclark@valbridge.com

JTH:CMC/mns
File # MI01-23-0266

Table of Contents

Summary of Salient Facts

Summary of Salient Facts	
Property Identification	
Property Name	Temple Building
Property Address	217 South Capitol Avenue Lansing, Ingham County, Michigan 48933
Latitude & Longitude	42.731864, -84.553258
Tax Parcel Number	33-01-01-16-328-021
Property Owner	217 Capitol LLC
Site	
Zoning	Business District (G-1)
FEMA Flood Map No.	260650131D
Flood Zone	Zone X (unshaded)
Gross Land Area	0.376 acres
Usable Land Area	0.376 acres
Existing Improvements	
Property Use	Office High Rise
Occupancy Type	Vacant
Gross Building Area (GBA)	109,826 sf
Net Rentable Area (NRA)	92,608 sf
Number of Buildings	1
Number of Stories	7
Year Built	1924
Condition	Average
Construction Class	B - Fire Resistant, Reinforced Concrete Frame
Construction Quality	Good
Valuation Opinions	
Highest & Best Use - As Vacant	Hold for future development
Highest & Best Use - As Improved	Office
Reasonable Exposure Time	12 to 24 months
Reasonable Marketing Time	12 to 24 months

Value Indications

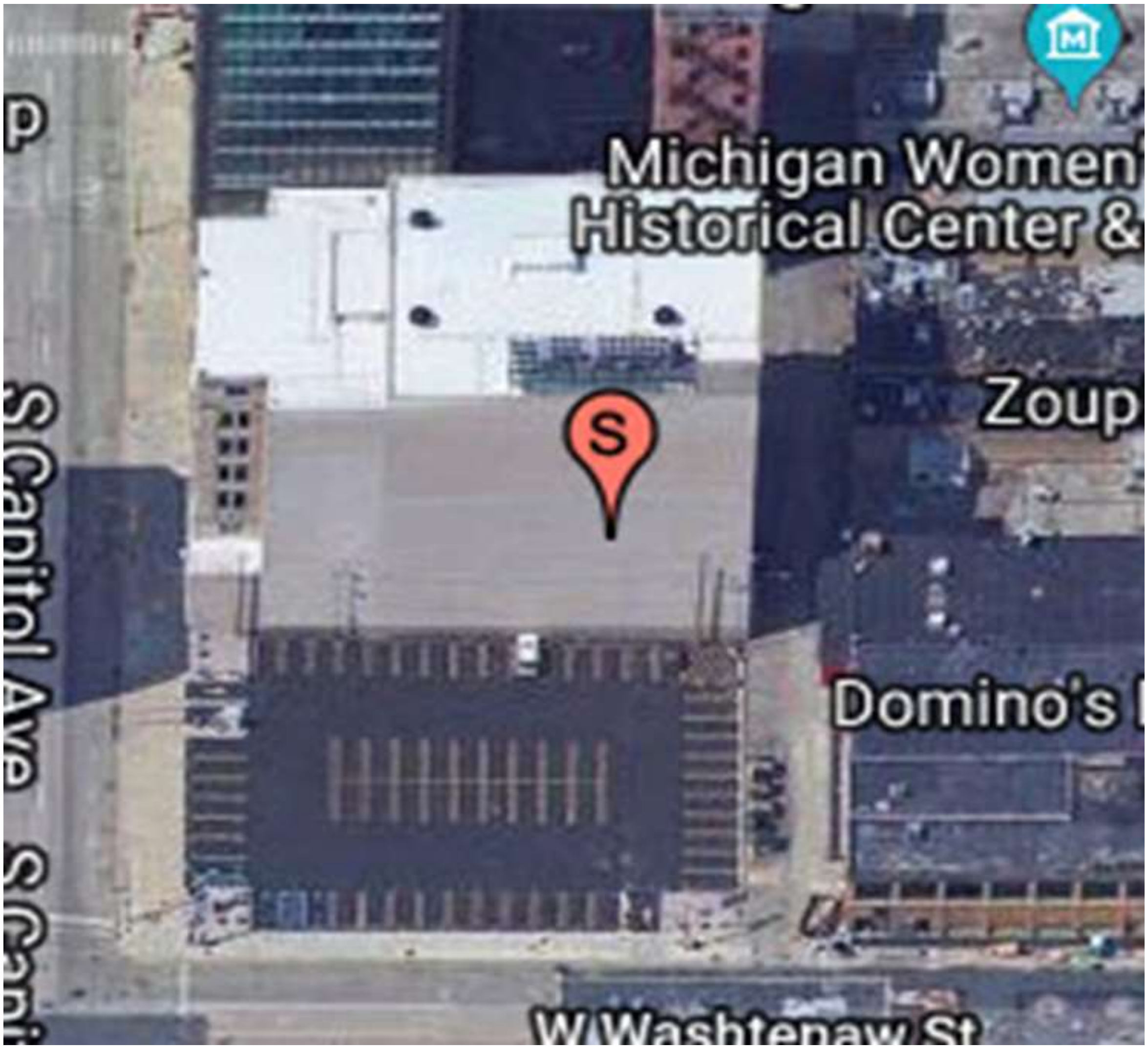
Approach to Value	As Is
Cost	Not Developed
Sales Comparison	$3,500,000
Income Capitalization	Not Developed
Yield Capitalization (DCF)	$3,635,000

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	October 4, 2023
Value Conclusion	**$3,650,000**
	$33.23 PSF

Aerial and Front Views

AERIAL VIEW



FRONT VIEW

Location Map

STATE OF MICHIGAN L.P. AREA LOCATION MAP

Introduction

Client and Intended Users of the Appraisal

The client and intended user in this assignment is the City of Lansing. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

i. The borrower(s) on any loans or financing relating to or secured by the subject property,

ii. Any guarantor(s) of such loans or financing; or

iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

Intended Use of the Appraisal

The intended use of this report is for possible acquisition.

Real Estate Identification

The subject property is located at 217 South Capitol Avenue, Lansing, Ingham County, Michigan 48933. The subject property is further identified by the tax parcel number 33-01-01-16-328-021.

Legal Description

LOT 9 & S 33 1/6 FT LOT 10 BLOCK 115 ORIG PLAT

Use of Real Estate as of the Effective Date of Value

As of the current date of value, the subject was an unoccupied property.

Use of Real Estate as Reflected in this Appraisal

The current opinion of value for the subject property reflects use as an office high rise. The prospective opinion of value for the subject property reflects use as a high rise office property.

Ownership of the Property

According to assessing records, title to the subject property is vested in 217 Capital LLC.

History of the Property

Ownership of the subject property has changed within the past three years.

Active Listing/Offer/Contract

The subject property was listed for sale/lease by the Martin Company. Details of the listing price were not known to the appraisers.

Type and Definition of Value

The appraisal problem is to develop an opinion of the market value of the subject property. Market value is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale with the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *buyer and seller are typically motivated;*
- *both parties are well informed or well advised, and acting in what they consider their own best interest;*
- *a reasonable time is allowed for exposure in the open market;*
- *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale*[1]

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Opinions of value for the subject property were developed under the following valuation scenarios:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	October 4, 2023

Date of Report

The date of this report is October 5, 2023.

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

[1] *FIRREA Code of Federal Regulations, Title 12, Part 34 Subpart C - 34.42, 1990; also Interagency Appraisal and Evaluation Guidelines, Federal Register / Vol.75, No. 237, 2010*

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via legal description.
- Economic Characteristics - The subject property economic characteristics were identified via property management.
- Physical Characteristics - The subject property physical characteristics were identified via property inspection.

Extent to Which the Property Was Inspected

An appraisal inspection of the subject property an appraisal inspection that consisted of exterior and interior observations was completed on September 14th, 2023. The improvements were not measured during the course of the inspection.

Type and Extent of Data Researched

The following data was researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. Professionals familiar with the subject market/property type were also interviewed.

Type and Extent of Analysis Applied (Valuation Methodology)

Surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations were observed in the process of concluding a highest and best use for the subject property. The subject property was then valued based on the highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.

- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All these approaches to value were considered. The availability of data and applicability of each approach to value within the context of the characteristics of the subject property, along with the needs and requirements of the client, were assessed. Based on this assessment, the Sales Comparison Approach were developed. The Cost Approach was not used because due to the age of the subject property the Cost Approach is considered a less effective valuation method, and therefore, was not developed in this report. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

The analyses, opinions, and conclusions were developed and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP

Overview

The subject property is located in the Lansing-East Lansing Metropolitan Statistical Area (MSA), whose urban core is the Lansing urbanized area, and component counties are Clinton, Eaton and Ingham. The cities of Lansing, East Lansing, Charlotte, Grand Ledge, Mason, Dewitt and St. Johns, and Townships of Bath, Delhi, Delta, DeWitt, Meridian, and Williamston are the most populated areas within the Lansing-East Lansing MSA.

Population

Population characteristics relative to the subject property are presented in the following table.

Population

Area	2020	Estimated 2022	Annual Δ 2020 - 22	Projected 2027	Annual Δ 2022 - 27
United States	331,449,281	335,707,897	0.6%	339,902,796	0.2%
Michigan	9,883,640	10,098,040	1.1%	10,076,564	0.0%
Lansing-East Lansing, MI (MSA)	534,684	542,762	0.8%	541,713	0.0%
Ingham County	280,895	285,809	0.9%	285,550	0.0%
Lansing city	114,990	114,201	-0.3%	114,346	0.0%

Source: ESRI (ArcGIS)

Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

Median Household Income

Area	Estimated 2022	Projected 2027	Annual Δ 2022 - 27
United States	$62,203	$67,325	1.6%
Michigan	$65,287	$75,808	3.0%
Lansing-East Lansing, MI (MSA)	$62,981	$72,590	2.9%
Ingham County	$58,657	$67,695	2.9%
Lansing city	$46,604	$52,387	2.4%

Source: ESRI (ArcGIS)

Employment

Employment by Industry - Lansing-East Lansing, MI (MSA)

Industry	2022 Estimate	Percent of Employment
Agriculture/Forestry/Fishing/Hunting	2,110	0.78%
Mining/Quarrying/Oil & Gas Extraction	148	0.05%
Construction	13,877	5.12%
Manufacturing	32,676	12.05%
Wholesale Trade	3,583	1.32%
Retail Trade	26,482	9.77%
Transportation/Warehousing	11,441	4.22%
Utilities	2,109	0.78%
Information	2,876	1.06%
Finance/Insurance	18,106	6.68%
Real Estate/Rental/Leasing	4,209	1.55%
Professional/Scientific/Tech Services	16,291	6.01%
Management of Companies/Enterprises	106	0.04%
Admin/Support/Waste Management Services	11,193	4.13%
Educational Services	36,422	13.43%
Health Care/Social Assistance	33,079	12.20%
Arts/entertainment/Recreation	4,445	1.64%
Accommodation/Food Services	17,651	6.51%
Other Services (excl Public Administration)	13,036	4.81%
Public Administration	21,293	7.85%
Total	271,133	100.0%

Source: ESRI (ArcGIS)

Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics.

Unemployment Rates

Area	YE 2018	YE 2019	YE 2020	YE 2021	YE 2022	2023[1]
United States	3.9%	3.7%	8.1%	5.3%	3.6%	3.9%
Michigan	4.2%	4.1%	10.0%	5.8%	4.2%	4.3%
Lansing-East Lansing-Owosso, MI (CMSA)	3.6%	3.6%	7.8%	5.4%	4.4%	4.4%
Ingham County, MI	3.6%	3.6%	7.8%	5.6%	4.4%	4.6%
Lansing city, MI	5.2%	5.1%	10.9%	7.9%	6.3%	6.5%

Source: www.bls.gov *data not seasonally adjusted; [1]August - most recent for US, others lag by 1-2 mos.)*

Job Losses/Gains

Michigan's employment peaked in June of 2000 and experienced a continuous declining trend throughout the next decade. The following table summarizes the job losses/gains in total employment and manufacturing employment over from June 2000 through 2022.

STATE OF MICHIGAN EMPLOYMENT				
Year	**Total Non-Farm Employment**	**Annual Job Loss/Gain**	**Manufacturing Employment**	**Annual Mfg. Job Loss/Gain**
Jun-00	4,744,900		911,200	
2000	4,676,400	(68,500)	896,699	(14,501)
2001	4,563,700	(112,700)	821,200	(75,499)
2002	4,486,900	(76,800)	761,400	(59,800)
2003	4,415,900	(71,000)	717,500	(43,900)
2004	4,399,000	(16,900)	698,300	(19,200)
2005	4,389,700	(9,300)	677,500	(20,800)
2006	4,326,500	(63,200)	648,200	(29,300)
2007	4,267,800	(58,700)	617,300	(30,900)
2008	4,162,100	(105,700)	562,700	(54,600)
2009	3,870,500	(291,600)	454,900	(107,800)
2010	3,863,300	(7,200)	466,000	11,100
2011	3,952,100	88,800	501,400	35,400
2012	4,033,700	81,600	529,200	27,800
2013	4,109,700	76,000	548,400	19,200
2014	4,182,000	72,300	574,200	25,800
2015	4,243,500	61,500	590,900	16,700
2016	4,319,100	75,600	604,500	13,600
2017	4,369,100	50,000	616,100	11,600
2018	4,417,700	48,600	628,600	12,500
2019	4,442,700	25,000	654,600	26,000
2020	4,039,300	(403,400)	556,800	(97,800)
2021	4,199,000	159,700	583,700	26,900
2022	4,362,300	163,300	603,200	19,500
	Total Job Loss	**(382,600)**		**(308,000)**
% Decline over 20 1/2 +/- years		**(8.1%)**		**(33.8%)**

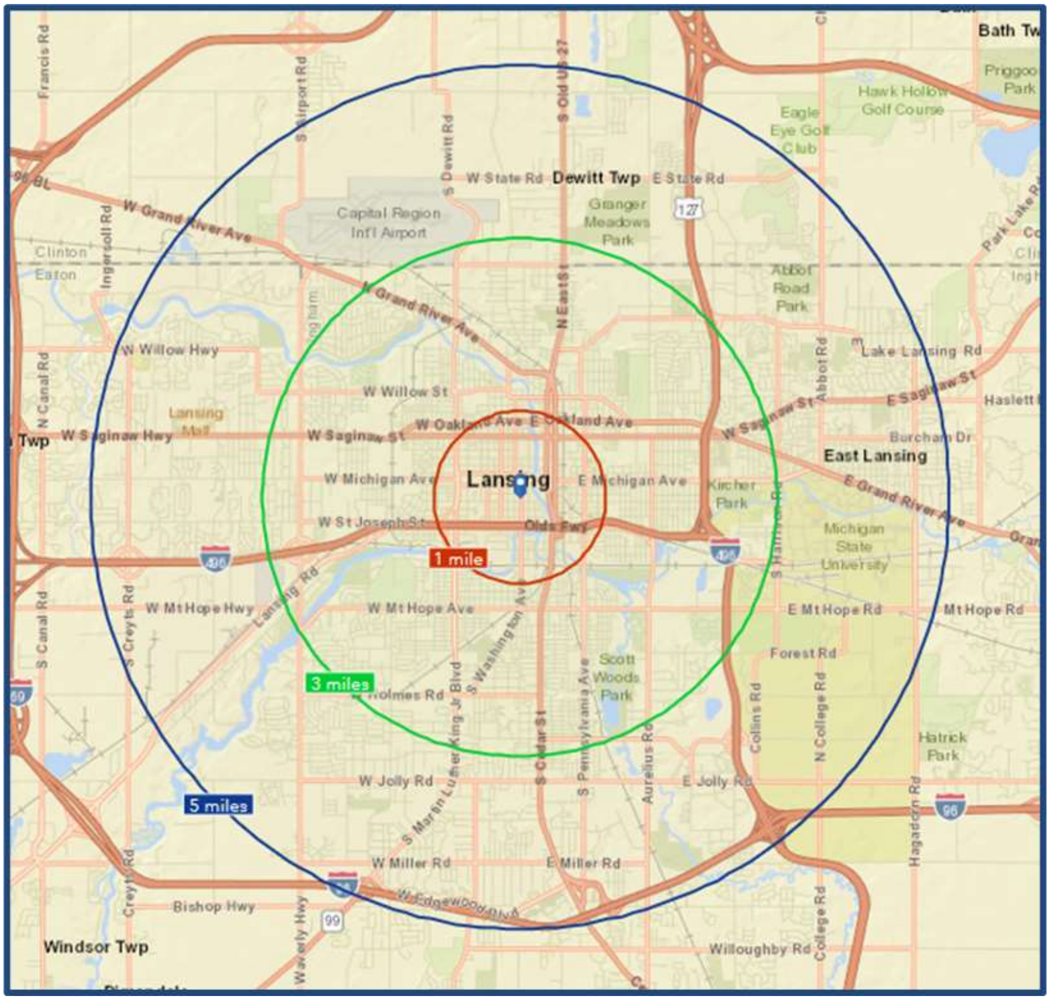
Source: Michigan Labor Market Info ~ www.milmi.org
Unless noted, employment numbers are annualized

Peak employment levels within the state occurred in June of 2000 at 4,744,900 total non-farm jobs. Through 2009 a combined 881,600 jobs were lost, an 18.6% decline. Job losses have been particularly focused in the manufacturing sector. In June 2000 the manufacturing sector employed 911,200 persons, which declined through 2009 to 454,900, for a combined loss of 456,300 manufacturing jobs or a 50.1% decline. However, manufacturing in the state began to stabilize during 2010, finishing the year with a net gain of 11,100 jobs.

Prior to the pandemic, the continuing recovery in manufacturing has helped to turn overall non-farm employment in the State. The previous 5 years the State had added 260,700 jobs. According to MSU Center for Economic analysis, we see gross state product, a measure of all income generated in the state, to grow by 6.9 percent in 2023, down from 8.0 percent in 2022. Once adjusted for inflation, gross state product will only climb by 2.2 percent, down from 4.8 percent projected for 2022. We anticipate relatively strong growth in wages and salaries in 2023, driven largely by employment growth. Still, wage rates are expected to grow across all Michigan industries but is not anticipated to keep pace with inflation. Non-wage sources of income, like dividends, interest and rent are expected to rebound somewhat in 2023 from expected declines to growth of about 7.3 percent.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



Overview

The subject is located in Lansing in Ingham County. The area of Lansing is characterized by dense office development catering to the States Capital.

Neighborhood Location and Boundaries

The subject neighborhood is located in the section of Lansing. The area is urban in nature.

The neighborhood is bounded by W Shiawassee Street to the north, S Pennsylvania Avenue to the east, I-696 to the south, and S Martin Luther King Blvd to the west.

Transportation Access

Within the immediate area of the subject property, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject property include I-696 and Capital Avenue. Access to the area is considered average.

Demographics

The following table depicts the area demographics in Lansing within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius (Miles)	1 Mile	3 Mile	5 Mile
Population Summary			
2020 Population	11,890	90,408	196,199
2022 Population Estimate	12,345	89,927	194,104
2027 Population Projection	12,865	90,767	194,513
Annual % Change (2022 - 2027)	0.8%	0.2%	0.0%
Housing Unit Summary			
2020 Housing Units	6,705	43,425	85,968
% Owner Occupied	22.0%	50.2%	46.5%
% Renter Occupied	61.6%	38.7%	44.4%
2022 Housing Units	7,202	44,423	88,386
% Owner Occupied	17.5%	47.5%	45.2%
% Renter Occupied	67.2%	42.3%	45.9%
2027 Housing Units	7,296	44,956	89,283
% Owner Occupied	17.8%	47.6%	45.5%
% Renter Occupied	70.2%	42.7%	45.7%
Annual % Change (2022 - 2027)	0.3%	0.2%	0.2%
Income Summary			
2022 Median Household Income Estimate	$37,476	$48,843	$48,095
2027 Median Household Income Projection	$41,447	$54,638	$53,893
Annual % Change	2.0%	2.3%	2.3%
2022 Per Capita Income Estimate	$26,544	$29,332	$29,065
2027 Per Capita Income Projection	$30,115	$34,129	$33,454
Annual % Change	2.6%	3.1%	2.9%

Source: ESRI (ArcGIS) *(Lat: 42.731864, Lon: -84.553258)*

Within a three-mile radius, the reported population is 89,927 with a projected growth rate of approximately 0.2% annually. There are 44,423 housing units within that three-mile radius. The growth rate is expected to be 0.2% annually. Within a three-mile radius, the median household income is $48,843. Looking ahead, annual household income growth is projected at 2.3% per year.

Nuisances & External Obsolescence

Neighborhood properties have adequate levels of maintenance. No adverse or unfavorable factors were observed.

Neighborhood Life Cycle

Most neighborhoods are classified as being in one of four stages: **growth**, **stability**, **decline**, or **renewal**. Overall, the subject neighborhood is in the decline stage of its life cycle.

Site Description

The subject site is located the east side of South Capital Avenue. The characteristics of the site are summarized as follows:

Site Characteristics

Gross Land Area:	0.38 Acres or 16,379 SF
Usable Land Area:	0.38 Acres or 16,379 SF
Usable Land %:	100.0%
Shape:	Rectangular
Topography:	Level
Drainage:	Appears adequate
Grade:	Above street grade
Utilities:	public electricity, steam, water, and sewer
Off-Site Improvements:	Sidewalk, pole lighting, street parking,
Interior or Corner:	Interior
Signalized Intersection:	No - Traffic signal nearby that enhances access to the site
Excess/Surplus Land:	None

Street Frontage / Access

Frontage Road	Primary
Street Name:	South Capital Avenue
Street Type:	Office
Number of Curb Cuts:	1

Additional Access

Alley Access:	Yes
Water or Port Access:	No
Rail Access:	No

Flood Zone Data

Flood Map Panel/Number:	260650131D
Flood Map Date:	08-16-2011
Flood Zone:	Zone X (unshaded)
	The subject property is situated within an X flood zone. Because of this, flood insurance may not be required if federally related funds are involved.
Portion in Flood Hazard Area:	0.00%

Other Site Conditions

Soil Type:	No soil report of the subject has been made available or reviewed. However, it is assumed that the soil is of sufficient load-bearing capacity to support the present improvements. No evidence to the contrary was observed upon the physical inspection of
Environmental Issues:	No environmental issues were noted at the time of inspection or disclosed by involved parties that would impact value.
Easements/Encroachments:	The appraiser assumes that all necessary easements, including but not limited to easements for access and utilities, have been obtained for the development and/or use of the property. No information was provided to the appraiser concerning any other adverse easements that may affect subject property. The appraiser, therefore, assumes normal easements and restrictions of record that are considered standard and typical for properties of this type and are not considered to adversely affect normal use or value of subject property.

Adjacent Land Uses

North:	Parking lot
South:	Parking lot
East:	Office
West:	Office

Site Ratings

Access:	Average
Visibility:	Good

Zoning Designation

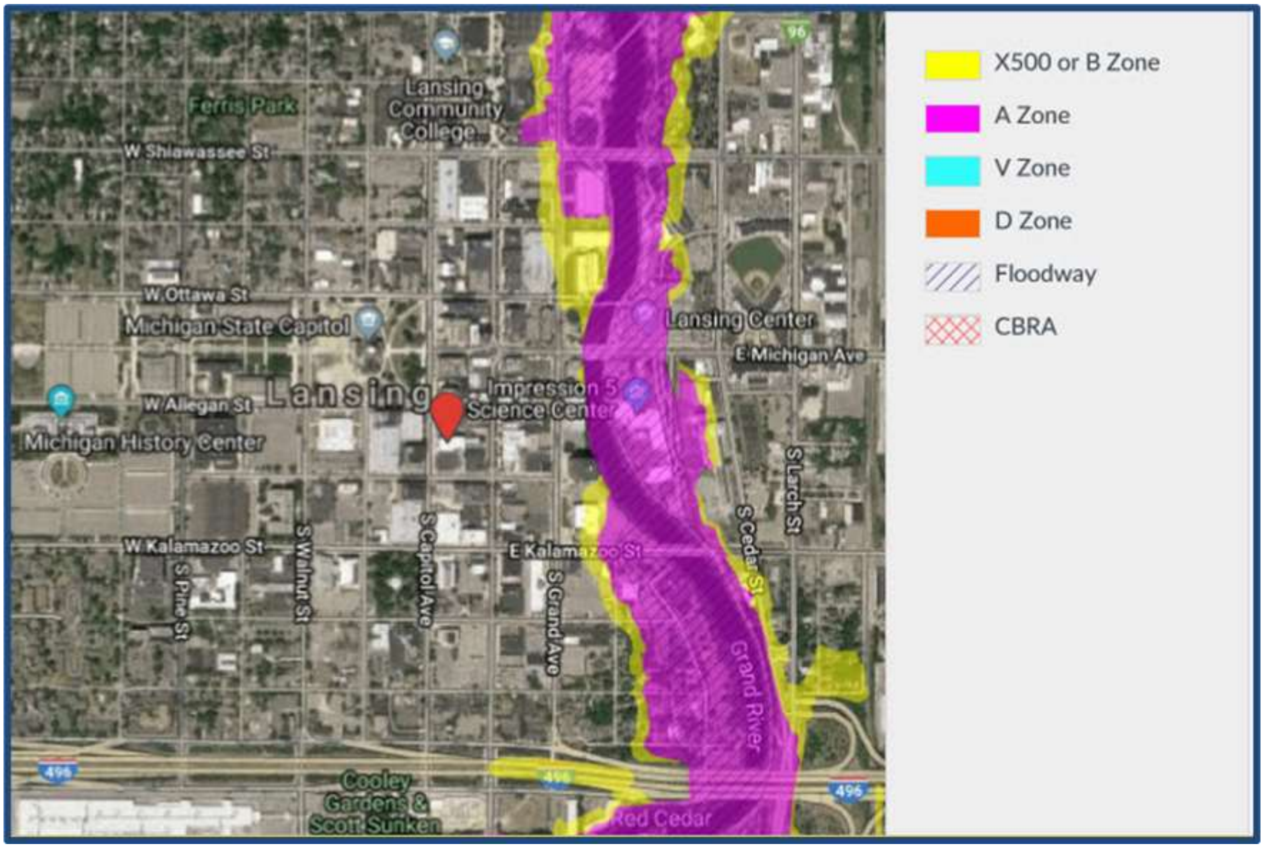
Zoning Jurisdiction:	City of Lansing
Zoning Classification:	G-1, Business District
Permitted Uses:	A variety of commercial uses
Zoning Comments:	Subject property conforms to zoning.

Analysis/Comments on Site

Based on the characteristics above, the site is suitable for a variety of legal uses.

SITE OUTLINE

FLOOD MAP


X500 or B Zone
A Zone
V Zone
D Zone
Floodway
CBRA
Lansing Community College
Ferris Park
W Shiawassee St
W Ottawa St
Michigan State Capitol
Lansing
W Allegan St
Michigan History Center
Impression 5 Science Center
Lansing Center
E Michigan Ave
W Kalamazoo St
E Kalamazoo St
S Pine St
S Walnut St
S Capitol Ave
S Grand Ave
S Cedar St
S Larch St
Grand River
Cooley Gardens & Scott Sunken
Red Cedar
496
96

Improvements Description

The subject property consists of a high-rise structure made of steel and stone construction and was built in 1924. The building has 7 floors above ground and one lower level, combining for a total of 109,826 square feet. As of the effective date of this appraisal, the subject's building was configured for educational use.

Improvement Characteristics

Property Type:	Office
Property Subtype:	Office Building
Occupancy Type:	Vacant
Tenancy:	Single-Tenant
Investment Class:	Class
Number of Buildings:	1
Number of Stories	7
Construction Class:	B - Fire Resistant, Reinforced Concrete Frame per Marshall Valuation Service
Construction Quality:	Good
Gross Building Area (GBA):	109,826 SF (based on Floor plans)
Net Rentable Area (NRA):	92,608 SF (based on Floor plans)
Other Features/Amenities:	Large auditorium, multiple lecture halls, historic.

Ratios & Parking

Land-to-Building Ratio:	0.15 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	6.71 (based on GBA)
Parking Spaces:	0

Age / Life

Year Built:	1924
Renovated/Yr. Renovated:	Yes
Condition:	Average
Actual Age:	99 years

Structural Characteristics

Foundation:	Stone and Masonry
Building Frame:	Masonry and metal
Exterior Walls:	Block and Brick.
Roof Type / Material:	Pitched / Metal

Interior Characteristics

Floors:	Carpet and terrazzo tile
Walls:	Painted drywall, brick, and concrete block
Ceiling:	Dropped with 2X2 panels
Lighting:	Mixture
Restrooms:	Men's and woman's restrooms on each level

Mechanical Systems

Electrical:	adequate for intended use
Plumbing:	Assumed adequate for the intended use
Heating:	Hot Water
Air Conditioning:	Complete Engineered Cooling System
Fire Protection/Sprinklers:	100% Wet
Number of Elevators:	3

Site Improvements

Site Improvements:	Sidewalk
Landscaping:	Minimal

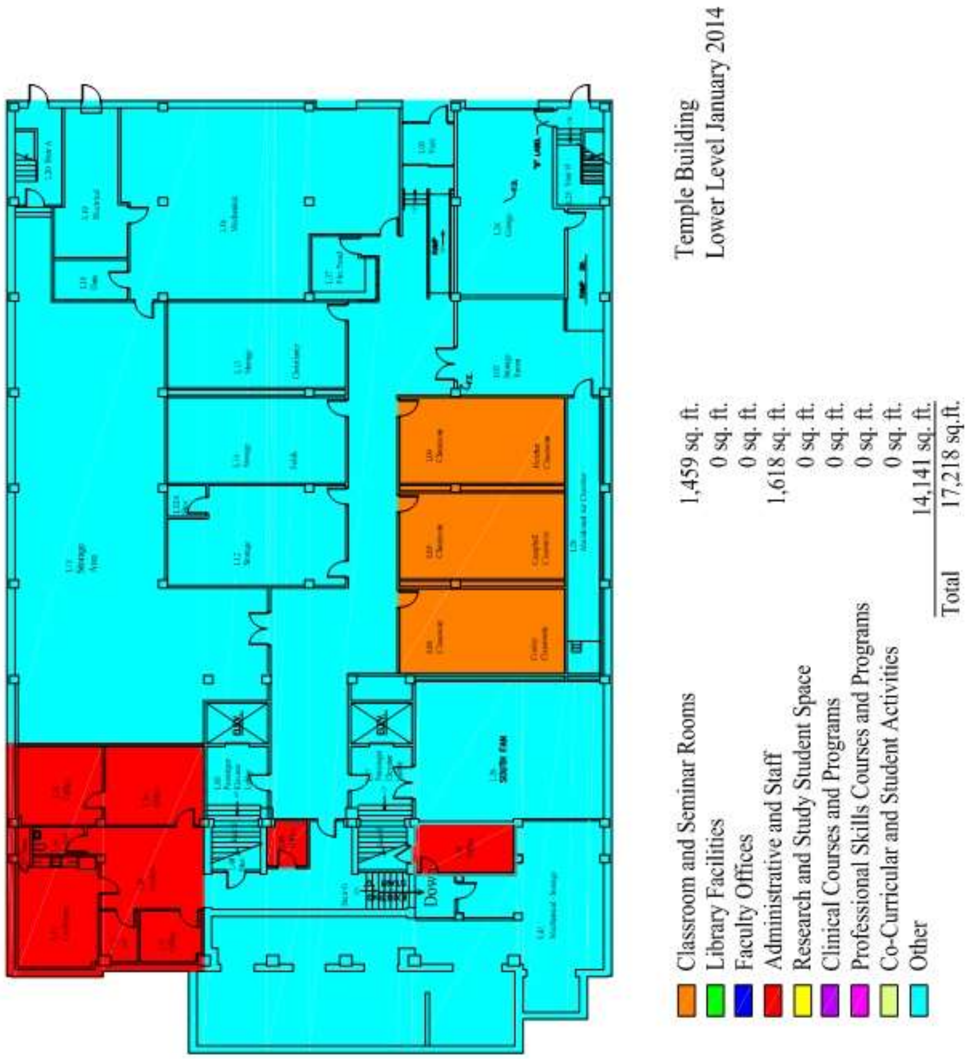
Legal, Conforming Status

Legally Permitted Use:	Yes
Conforms to Parking:	Unknown
Conformity Conclusion:	The existing improvements appear to conform with all legal use restrictions

Analysis/Comments on Improvements

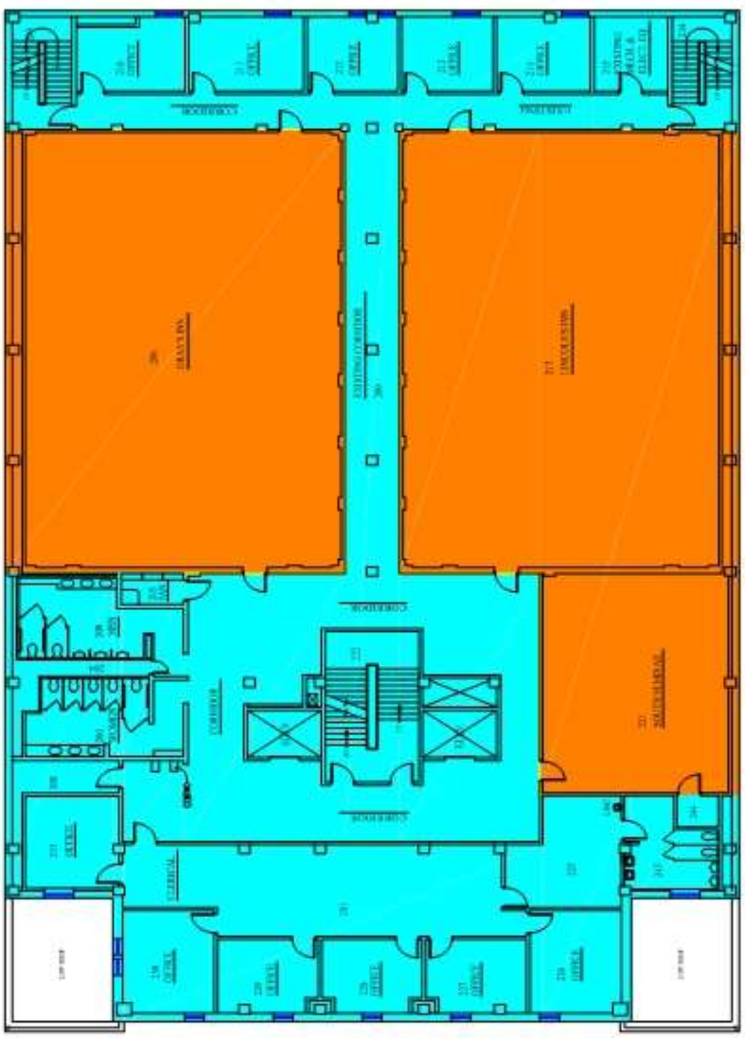
The building is a high-rise structure made of steel and stone construction and was built in 1924. The buildings has 7 floors above ground and one lower level, combining for a total of 109,826 square feet. As of the effective date of this appraisal, the building is configured for educational use, with class rooms and large auditoriums/lecture halls. All of the land is considered a primary site and there is no excess or surplus land area. The functional utility of the property is average based upon a comparison of similar properties in the market area.

FLOOR PLANS FOR EACH LEVEL



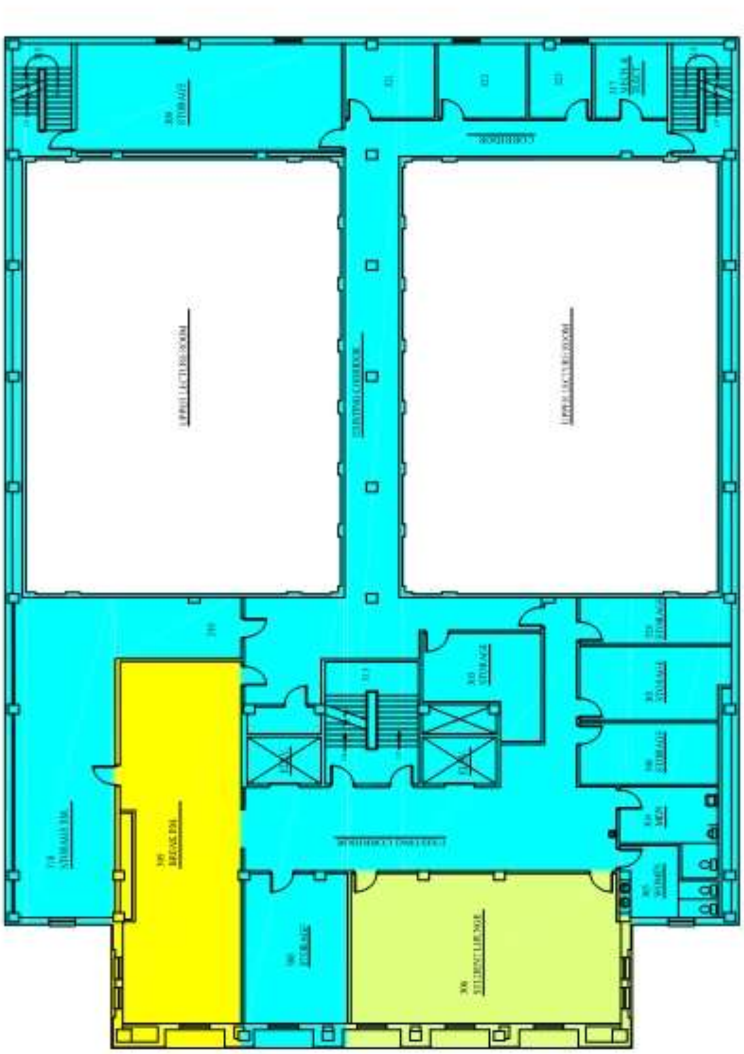
Classroom and Seminar Rooms	5,808 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	0 sq. ft.
Administrative and Staff	1,536 sq. ft.
Research and Study Student Space	480 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	0 sq. ft.
Other	8,638 sq. ft.
Total	16,462 sq.ft.

Temple Building
First Floor January 2014



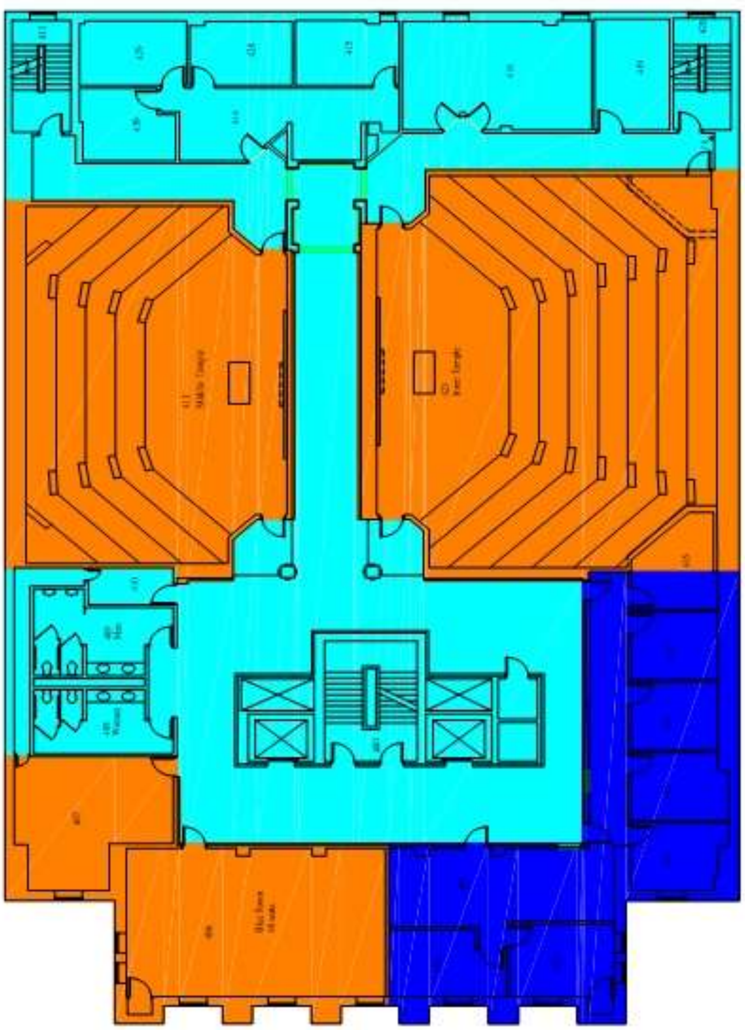
Classroom and Seminar Rooms	7,590 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	0 sq. ft.
Administrative and Staff	0 sq. ft.
Research and Study Student Space	0 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	0 sq. ft.
Other	8,090 sq. ft.
Total	15,680 sq.ft.

Temple Building
Second Floor Januray 2014



Temple Building
Third Floor January 2014

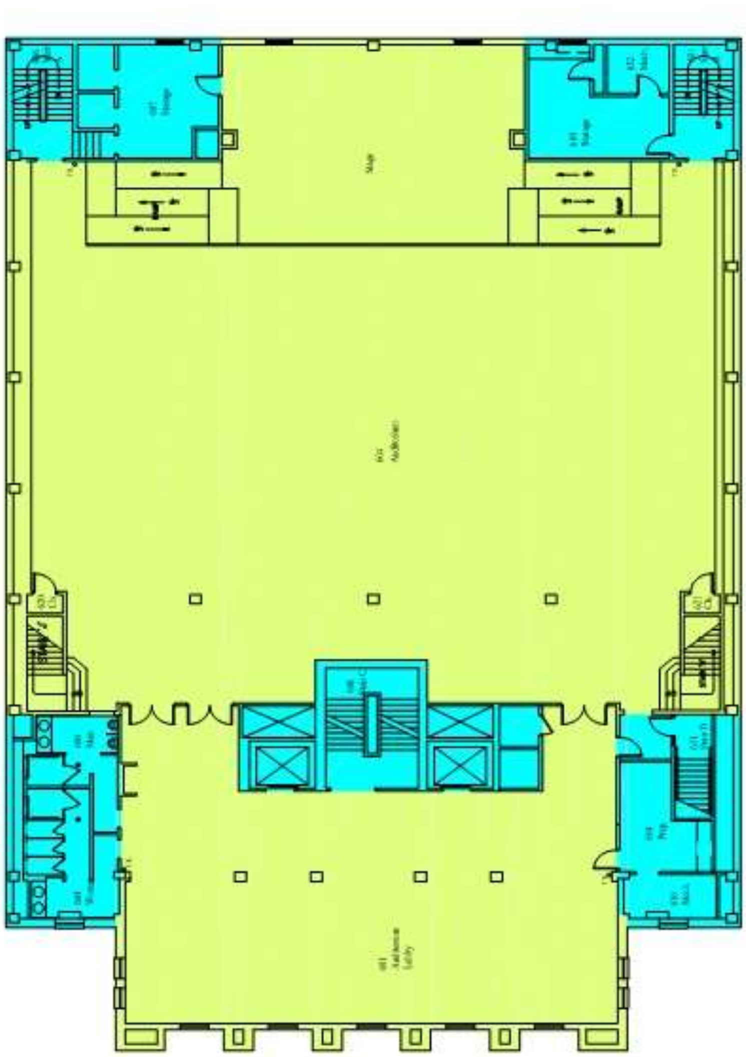
Classroom and Seminar Rooms	0 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	0 sq. ft.
Administrative and Staff	0 sq. ft.
Research and Study Student Space	1,084 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	1,091 sq. ft.
Other	7,500 sq. ft.
Total	9,675 sq.ft.



Temple Building
Fourth Floor January 2014

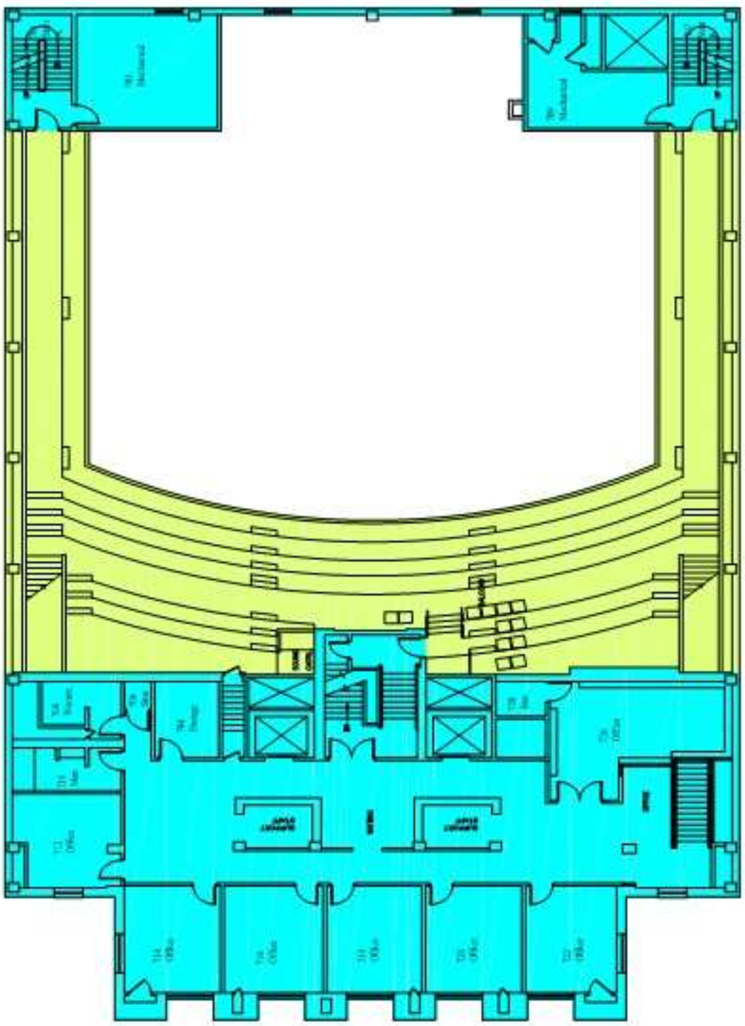
Classroom and Seminar Rooms	6,951 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	1,956 sq. ft.
Administrative and Staff	0 sq. ft.
Research and Study Student Space	0 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	0 sq. ft.
Other	6,667 sq. ft.
Total	15,574 sq.ft.


Temple Building
Fifth Floor January 2014
Classroom and Seminar Rooms 0 sq. ft.
Library Facilities 0 sq. ft.
Faculty Offices 0 sq. ft.
Administrative and Staff 4,735 sq. ft.
Research and Study Student Space 0 sq. ft.
Clinical Courses and Programs 0 sq. ft.
Professional Skills Courses and Programs 0 sq. ft.
Co-Curricular and Student Activities 0 sq. ft.
Other 4735 sq. ft.
Total 9,470 sq.ft.



Temple Building
Sixth Floor January 2014

Classroom and Seminar Rooms	0 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	0 sq. ft.
Administrative and Staff	0 sq. ft.
Research and Study Student Space	0 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	12,588 sq. ft.
Other	2,963 sq. ft.
Total	15,551 sq.ft.



Temple Building
Seventh Floor January 2014

Classroom and Seminar Rooms	0 sq. ft.
Library Facilities	0 sq. ft.
Faculty Offices	0 sq. ft.
Administrative and Staff	0 sq. ft.
Research and Study Student Space	0 sq. ft.
Clinical Courses and Programs	0 sq. ft.
Professional Skills Courses and Programs	0 sq. ft.
Co-Curricular and Student Activities	4,001 sq. ft.
Other	6,195 sq. ft.
Total	10,196 sq.ft.

Assessment and Tax Data

Assessment Methodology

Property assessments are initially established by the local assessor and are intended to reflect 50% of the "true cash value" (also known as market value) of the property on the tax day, December 31, of each year. The local assessment is then subject to equalization, which results in the property's State Equalized Value (S. E. V.).

To determine the current year's capped value, the assessor is required to multiply the prior year's capped assessment by the CPI increase (inflation rate multiplier). The lesser of the S. E. V. and capped assessed value is the current year's taxable value for that property. When a transfer of ownership occurs, the next year's taxable value is generally based on the S.E.V. that had been calculated annually. The actual sale price must not be the sole basis of the new S.E.V. for that property.

Each property assessed for real estate tax purposes in the State of Michigan has a S.E.V., capped value, and a taxable value. Generally, the capped value is lower, reflecting long-term ownership. The S.E.V. is to represent 50% of true cash value. This appraisal has used the S.E.V. (assessed value) for calculating the real estate taxes. Real property taxes are determined on the basis of a tax rate per thousand dollars of S.E.V. (assessed value).

Assessed Values and Property Taxes

Tax Parcel Number	2023 Assessed Value	2022 Millage Rate	Real Estate Taxes
33-01-01-16-328-021	**$2,049,500**	**76.1308**	**$156,030.07**
	Administration Fee		**$1,560.30**
			$157,590.38

Market Analysis

Inflation

Inflation is perhaps the biggest 2023 concern for CRE markets and investors. High inflation rates are being driven by both demand (stimulus, more businesses opening, high savings rates) and supply factors (labor shortages and supply chain disruptions). The following table presents historical inflations rates:

ANNUAL CPI RATE OF CHANGE

Source: U.S. Bureau of Labor Statistics

The June 2023 CPI reading was an annual rate of 3.0%, down from the annual rate of 9.0% in June 2022. The outlook is for stabilized rates going forward. Market participants anticipate that the Fed will have limited or no interest rates hike going forward.

Interest Rates

To combat inflation, the Federal Reserve raised the federal funds rate starting in March 2022, with nine additional increased thru May 2023. Overall, the federal funds have been increased 500 basis points.

Interest rate increases affect capital-intensive industries like real estate. As credit becomes more expensive, investor return requirements increase, which can lead to higher capitalization rates expectations. Slower growth in CRE pricing and transactions is expected.

In general, nominal (non-inflation adjusted) real estate returns perform well under a variety of rate environments, while inflation-adjusted real estate returns are strongest during periods of stability, according to research done by Trepp. Interest rates for commercial properties have not increased as dramatically as residential interest rates.

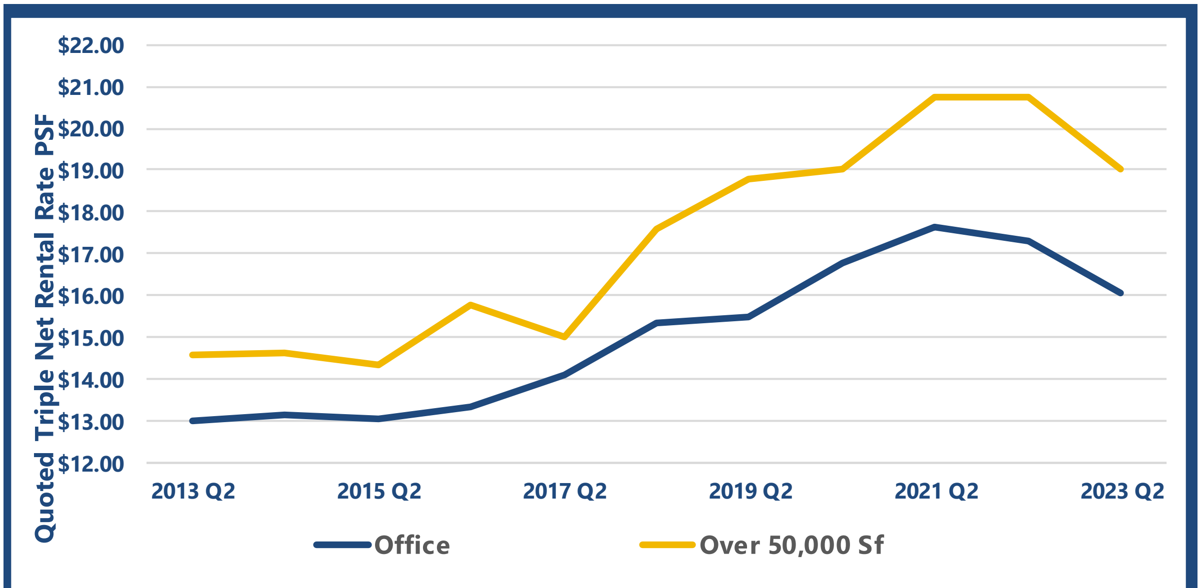
According to Trepp, the current market environment is impacting the demand for commercial mortgages, leading to a decrease in interest in commercial real estate (CRE). Additionally, the labor shortage is expected to worsen, which will further drive the trend toward high-quality office spaces. However, despite the labor challenges, the tight labor market will continue to support consumer spending, thereby maintaining the demand for both retail and industrial sectors. Consumers remain eager to travel, and business travel is resilient, indicating a positive outlook for the overall economy. While economic uncertainty has created pent-up demand for apartments, there is still a shortage of housing available. Nevertheless, it is anticipated that capital markets will ease in the latter half of 2023 once self-inflicted wounds heal, suggesting potential improvement in the financial landscape.

Local Market Performance

Market analysis is a study of market conditions for a specific property type. The following market analysis of the Lansing MSA Office property market is based on data obtained from the CoStar Group, Inc., a leading provider of real estate information services. The analysis presents the subject property's macro and micro markets and includes a breakdown of over 50,000 sf space. The following is the Lansing MSA office market map, as presented by CoStar Group, Inc.:

COSTAR SUBMARKET MAP

LANSING MSA - QUOTED RENTAL RATE TRENDS



Time Period	2023 Q2	1-Year	3-Year	5-Year	10-Year
Lansing MSA - Office	$16.05 PSF	$17.30 PSF	$16.79 PSF	$15.32 PSF	$12.98 PSF
Annual Growth Rate	-	*-7.2%*	*-1.5%*	*0.9%*	*2.1%*
Lansing MSA - Over 50,000 Sf	$19.03 PSF	$20.72 PSF	$19.03 PSF	$17.58 PSF	$14.57 PSF
Annual Growth Rate	-	*-8.2%*	*0.0%*	*1.6%*	*2.7%*

Source: CoStar Group, Inc.

Lansing MSA - Office

The Lansing MSA had a 2023 2nd Quarter average quoted rental rate of $16.05 per square foot for Office space, compared to $17.30 in the 2022 2nd Quarter, or a 7.2% decrease over the prior year. This was lower than the long-term trend.

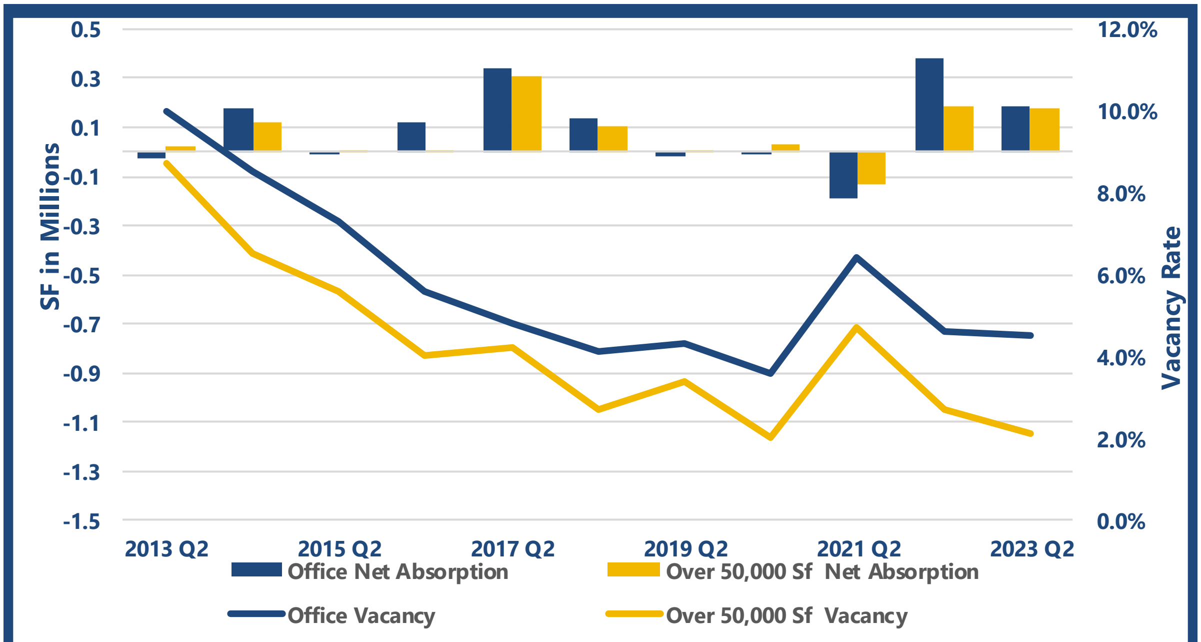
Lansing MSA - Over 50,000 Sf

The Lansing MSA had a 2023 2nd Quarter average quoted rental rate of $19.03 per square foot for over 50,000 sf space, compared to $20.72 in the 2022 2nd Quarter, or a 8.2% decrease over the prior year. This was lower than the long-term trend.

Sector Comparison

The average quoted rental rate for over 50,000 sf space was 18.6% higher than Office space and the long-term growth trend was higher.

LANSING MSA - VACANCY AND NET ABSORPTION TRENDS



Time Period	2023 Q2	1-Year	3-Year	5-Year	10-Year
Lansing MSA - Office	4.5%	4.6%	3.6%	4.1%	10.0%
Avg. Annual Net Absorp. SF	-	*253.8K*	*8K*	*46.8K*	*220.2K*
Avg. Annual Deliveries SF	-	*232K*	*90.7K*	*75.1K*	*125.8K*
Lansing MSA - Over 50,000 Sf	2.1%	2.7%	2.0%	2.7%	8.7%
Avg. Annual Net Absorp. SF	-	*310.4K*	*72.9K*	*70.2K*	*166.9K*
Avg. Annual Deliveries SF	-	*232K*	*77.3K*	*56.4K*	*105.2K*

Source: CoStar Group, Inc.

Lansing MSA - Office

The Lansing MSA had a 2023 2nd Quarter vacancy rate of 4.5% for Office space. Net absorption was positive with 253,764 square feet absorbed in the prior year and 231,972 square feet delivered. This resulted in a vacancy rate decrease of 10 basis points.

Lansing MSA - Over 50,000 Sf

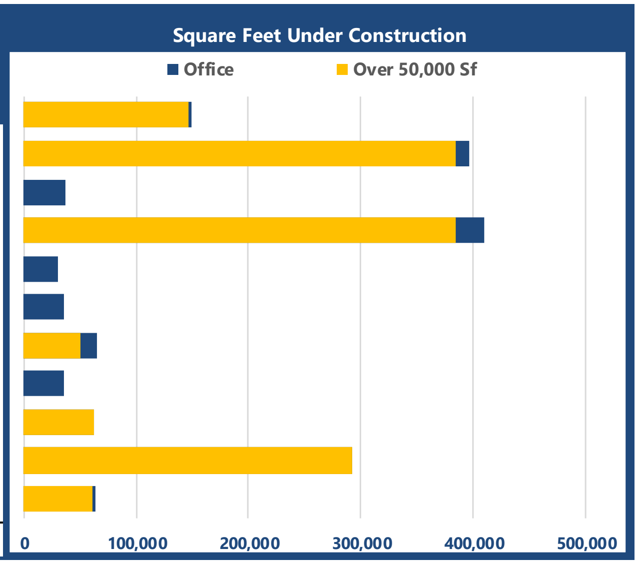
The Lansing MSA had a 2023 2nd Quarter vacancy rate of 2.1% for over 50,000 sf space. Net absorption was positive with 310,423 square feet absorbed in the prior year and 231,972 square feet delivered. This resulted in a vacancy rate decrease of 60 basis points.

Sector Comparison

The vacancy rate for over 50,000 sf space was lower than office space. Both sectors had vacancy rates that were lower than the long-term trend.

LANSING MSA - EXISTING SUPPLY AND CONSTRUCTION TRENDS

	Lansing MSA - Office			Lansing MSA - Over 50,000 Sf		
Period	Existing Bldgs	Existing SF	U/C SF	Existing Bldgs	Existing SF	U/C SF
2013 Q2	1,671	24.6M	149.7K	98	12M	146.2K
2014 Q2	1,662	24.5M	396.2K	97	11.9M	385.2K
2015 Q2	1,663	24.9M	37K	99	12.3M	0K
2016 Q2	1,659	24.8M	409.6K	99	12.3M	384.6K
2017 Q2	1,658	25.2M	30.9K	102	12.7M	0K
2018 Q2	1,658	25.1M	35.1K	101	12.6M	0K
2019 Q2	1,659	25.1M	65K	101	12.6M	50K
2020 Q2	1,660	25.2M	35K	102	12.6M	0K
2021 Q2	1,661	25.2M	62.5K	102	12.6M	62.5K
2022 Q2	1,661	25.2M	292.4K	102	12.6M	292.4K
2023 Q2	1,663	25.4M	63K	104	12.9M	60.4K
Annual Average			***143.3K***			***125.6K***



Source: CoStar Group, Inc.

Lansing MSA - Office

There were 1,663 buildings totaling 25.42 million square feet of Office space in the Lansing MSA with 63,007 square feet under construction in the 2023 2nd Quarter. New construction represented 0.2% of existing supply.

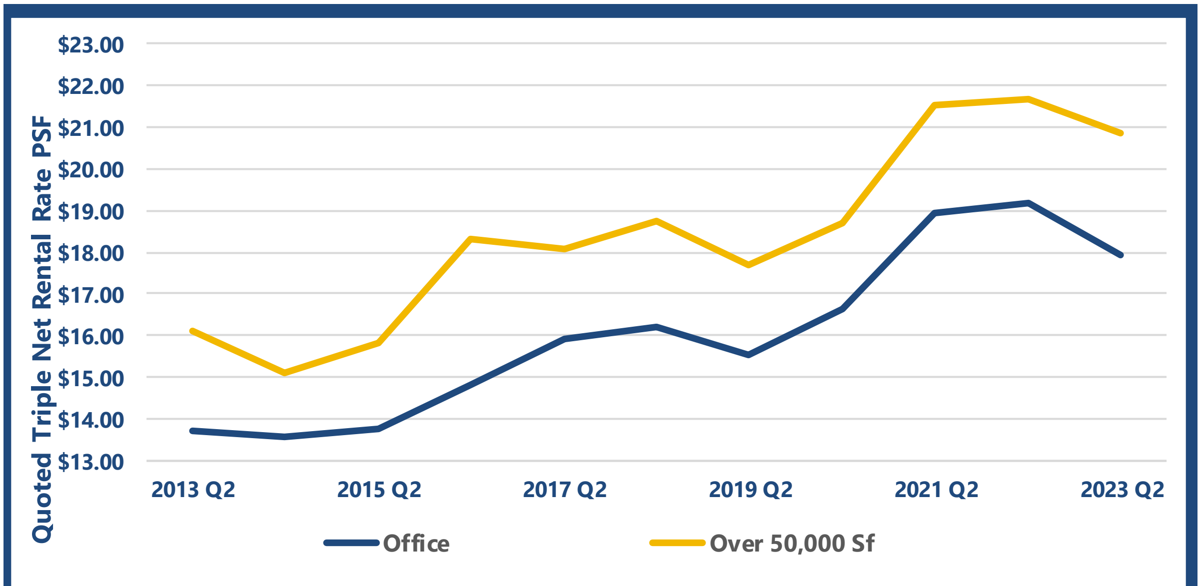
Lansing MSA - Over 50,000 Sf

There were 104 buildings totaling 12.9 million square feet of over 50,000 sf space in the Lansing MSA with 60,400 square feet under construction in the 2023 2nd Quarter. New construction represented 0.5% of existing supply.

Sector Comparison

Over 50,000 sf space represented 50.6% of existing supply and 95.9% of new construction in the 2023 2nd Quarter.

CENTRAL LANSING - QUOTED RENTAL RATE TRENDS



Time Period	2023 Q2	1-Year	3-Year	5-Year	10-Year
Central Lansing - Office	$17.95 PSF	$19.18 PSF	$16.65 PSF	$16.21 PSF	$13.69 PSF
Annual Growth Rate	-	*-6.4%*	*2.5%*	*2.1%*	*2.7%*
Central Lansing - Over 50,000 Sf	$20.87 PSF	$21.69 PSF	$18.69 PSF	$18.74 PSF	$16.09 PSF
Annual Growth Rate	-	-3.8%	3.7%	2.2%	2.6%

Source: CoStar Group, Inc.

Central Lansing - Office

The Central Lansing had a 2023 2nd Quarter average quoted rental rate of $17.95 per square foot for Office space, compared to $19.18 in the 2022 2nd Quarter, or a 6.4% decrease over the prior year. This was lower than the long-term trend.

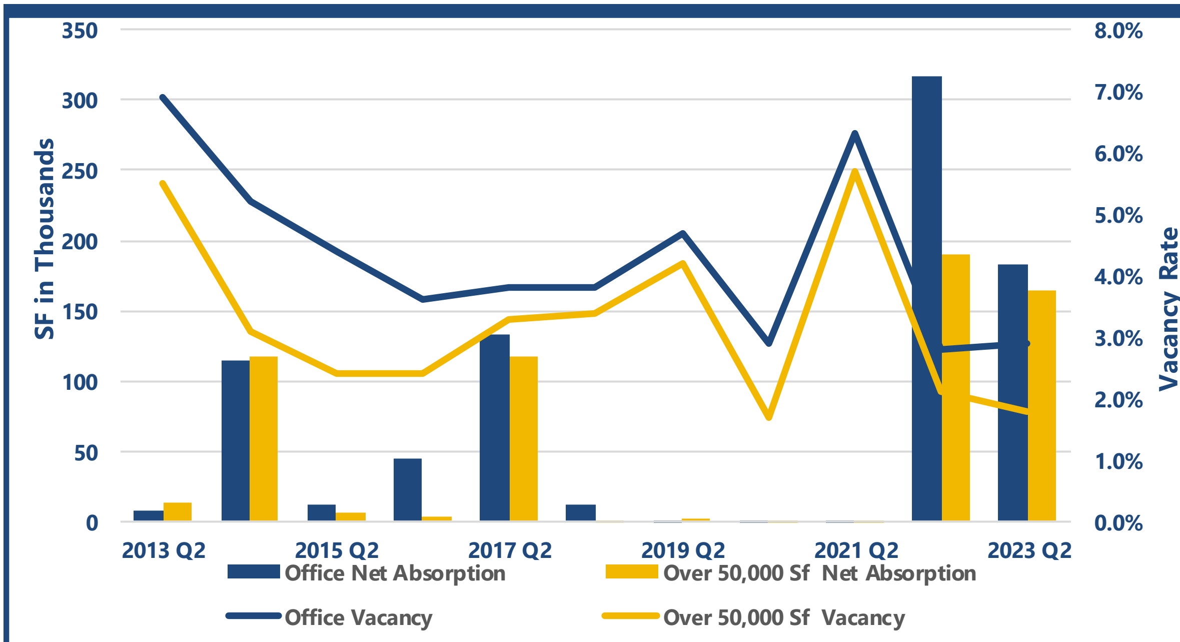
Central Lansing - Over 50,000 Sf

The Central Lansing had a 2023 2nd Quarter average quoted rental rate of $20.87 per square foot for over 50,000 sf space, compared to $21.69 in the 2022 2nd Quarter, or a 3.8% decrease over the prior year. This was lower than the long-term trend.

Sector Comparison

The average quoted rental rate for over 50,000 sf space was 16.3% higher than Office space and the long-term growth trend was similar.

CENTRAL LANSING - VACANCY AND NET ABSORPTION TRENDS



Time Period	2023 Q2	1-Year	3-Year	5-Year	10-Year
Central Lansing - Office	2.9%	2.8%	2.9%	3.8%	6.9%
Avg. Annual Net Absorp.	-	*-8.9K*	*-3.8K*	*26.7K*	*57K*
Avg. Annual Deliveries	-	*0K*	*1.7K*	*11.7K*	*28.5K*
Central Lansing - Over 50,000 Sf	1.8%	2.1%	1.7%	3.4%	5.5%
Avg. Annual Net Absorp.	-	*23.1K*	*-3K*	*34.7K*	*47.6K*
Avg. Annual Deliveries	-	*0K*	*0K*	*10K*	*24.8K*

Source: CoStar Group, Inc.

Central Lansing - Office

The Central Lansing had a 2023 2nd Quarter vacancy rate of 2.9% for Office space. Net absorption was negative with -8,923 square feet absorbed in the prior year and 0 square feet delivered. This resulted in a vacancy rate increase of 10 basis points.

Central Lansing - Over 50,000 Sf

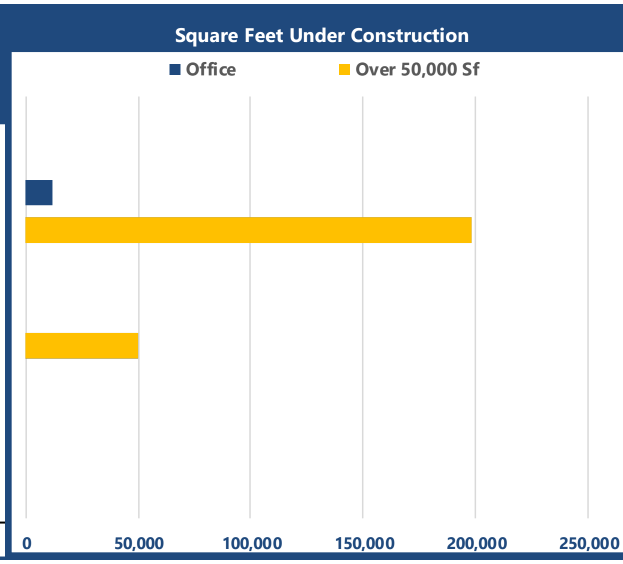
The Central Lansing had a 2023 2nd Quarter vacancy rate of 1.8% for over 50,000 sf space. Net absorption was positive with 23,142 square feet absorbed in the prior year with 0 square feet delivered. This resulted in a vacancy rate decrease of 30 basis points.

Sector Comparison

The vacancy rate for over 50,000 sf space was lower than office space. Both sectors had vacancy rates that were lower than the long-term trend.

CENTRAL LANSING - EXISTING SUPPLY AND CONSTRUCTION TRENDS

Period	Central Lansing - Office Existing Bldgs	Existing SF	U/C SF	Central Lansing - Over 50,000 Sf Existing Bldgs	Existing SF	U/C SF
2013 Q2	603	12.1M	0K	57	7.7M	0K
2014 Q2	594	12M	0K	56	7.7M	0K
2015 Q2	592	12M	11.9K	56	7.7M	0K
2016 Q2	592	11.9M	198.2K	56	7.7M	198.2K
2017 Q2	592	12.1M	0K	58	7.9M	0K
2018 Q2	592	12.1M	0K	58	7.9M	0K
2019 Q2	589	12.1M	50K	58	7.9M	50K
2020 Q2	590	12.2M	0K	59	7.9M	0K
2021 Q2	590	12.2M	0K	59	7.9M	0K
2022 Q2	590	12.2M	0K	59	7.9M	0K
2023 Q2	590	12.2M	0K	59	7.9M	0K
Annual Average			***23.6K***			***22.6K***



Source: CoStar Group, Inc.

Central Lansing - Office
There were 590 buildings totaling 12.2 million square feet of Office space in the Central Lansing with 0 square feet under construction in the 2023 2nd Quarter. No new construction was occurring.

Central Lansing - Over 50,000 Sf
There were 59 buildings totaling 7.9 million square feet of over 50,000 sf office space in the Central Lansing with 0 square feet under construction in the 2023 2nd Quarter. No new construction was occurring.

Sector Comparison
Over 50,000 sf space represented 65.3% of existing supply and no new construction in the 2023 2nd Quarter.

Market Analysis Conclusions
The rental rate trends, vacancy rate and absorption trends, and existing supply and new construction levels indicate the market is oversupplied.

Highest and Best Use Analysis

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Highest and Best Use As Though Vacant

The primary determinants of the highest and best use as though vacant are (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned G-1, Business District, which controls the general nature of permissible uses and is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

The subject site is not zoned and there are no known easements, encroachments, covenants, or other use restrictions that would materially limit or impede development of a probable use.

Physically Possible

The physical characteristics of the subject site are presented in the Site Description and allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences were considered. No physical attributes materially limit legally permissible and appropriate development. The most probable use of the site is for office development, which conforms to the pattern of land use in the immediate area.

Financially Feasible

A review of published yield, rental and occupancy rates suggests that there is a balanced supply of office and demand is insufficient to support construction costs and timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is not financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for hold for future development.

Highest and Best Use As Though Vacant Conclusion

The conclusion of the highest and best use as though vacant is for hold for future development.

Highest and Best Use As Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land.

The subject improvements are older and as of the date of value, are in average condition. As noted, the analyzed use is an office building. We believe the property to be a legal use per the zoning regulations. The improvements are consistent with surrounding uses and we have rated its functional utility as good.

The market value of the property as improved exceeds the vacant site value less cost of demolition of the improvements. Therefore, demolition and redevelopment of the site is not maximally productive. While it is possible the subject could be used as an education facility, it most likely will be utilized as office. The subject is located in a stable office market with little growth. It is expected the subject would attract an investor who would lease the subject to multiple tenants.

Conclusion of Highest and Best Use as Improved

The highest and best use of the subject property, as improved, is office use.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is Investor.

Sales Comparison Approach

Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

Unit of Comparison

The unit of comparison selected depends on the appraisal problem and nature of the property and is intended to explain or mirror market behavior. The primary unit of comparison in the market and applied in this analysis is price per square foot of gross building area.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, (7) physical characteristics, (8) economic characteristics, (9) legal characteristics, and (10) non-real components of value.

Comparable Sales Data

The market was studied to identify sales and listings of comparable properties with a focus on those that appeal to the most probable buyer of the subject property. These properties typically attract similar occupants based on location and appeal and have similar risk profiles. Of these transactions, sufficient sales data was available for the following sale comparables, which were analyzed to estimate a unit value for the subject property. The following table presents relevant details for the sale comparables utilized and is followed by a map illustrating the location of each in relation to the subject property.

Improved Sales Summary

Comp. No.	Date of Sale	Property Name	Location		Year Built	GBA	Unadjusted Sale Price	PSF
1	July-20	501 South Capitol Avenue	501 South Capitol Avenue	Lansing, Michigan	1970	71,208	$2,475,000	$34.76
2	November-19		4300 W. Saginaw Highway	Lansing, Michigan	1960	140,695	$1,575,000	$11.19
3	May-19	The Milton	25 W Michigan AVenue	Battle Creek, Michigan	1933	122,937	$3,000,000	$24.40
4	May-19	Tower 14 Office Center	21700 Northwestern Highway	Southfield, Michigan	1972	251,588	$4,000,000	$15.90
5	January-22	Care Free Medical Building	1100 West Saginaw Street	Lansing, Michigan	1965	44,995	$1,935,000	$43.00

COMPARABLE SALES MAP

OFFICE COMPARABLE 1

Property Identification

Property/Sale ID	10207491/1505630
Property Type	Office Building
Current Use	Vacant
Property Name	501 South Capitol Avenue
Address	501 South Capitol Avenue
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.728289/-84.553469
Tax ID	33-01-01-16-381-001,33-01-01-16-381-011,33-01-01-16-381-021,33-01-01-16-381-031

Transaction Data

Sale Date	07-24-2020	**Financing**	Conventional
Sale Status	Closed	**Conditions of Sale**	Arms Length
Grantor	501 Block LLC	**Sale Price**	$2,475,000
Grantee	WesPac, Patrick Smith	**Adjusted Price**	$2,475,000
Property Rights	Fee Simple		

Property Description

Gross Building SF	71,208	**Parking Spaces**	62
Net Rentable SF	57,987	**Pkg/1,000 SF GBA**	0.87
No. of Lots	4	**Pkg/1,000 SF NRA**	1.07
Stories	6	**Gross Acres**	1.50
Building Condition	Average	**Usable Acres**	1.50
Building Quality	Good	**Flr. Area Ratio (FAR)**	1.09
Year Built	1970	**Gross Land to Bldg**	0.92
Investment Class	B	**Usable Land to Bldg**	0.92
Occupancy Type	Owner Occupied	**Access**	Good
Tenancy	Single-Tenant	**Visibility**	Good
Elevators	3	**Corner/Interior**	Corner
Office Ratio (%)	0.0%	**Flood Hazard Zone**	Zone X (unshaded)
Sprinklers	Wet and dry system	**Zoning Jurisdiction**	City of Lansing
Parking Conforms	Yes	**Zoning Code**	G-1

Physical Indicators

$/SF GBA	$34.76	**Occupancy at Sale**	0.0%
$/SF NRA	$42.68		

Verification

Confirmed With	Deed, assessing records, listing
Confirmed By	Cameron Clark
Confirmation Date	11-03-2020

Remarks

Occupancy estimated at 40%, however the tenants will be leaving next quarter.

OFFICE COMPARABLE 2

Property Identification

Property/Sale ID	11105718/1509850
Property Type	Office Building
Address	4300 W. Saginaw Highway
City, State Zip	Lansing, Michigan 48917
County	Eaton
MSA	Lansing-East Lansing
Latitude/Longitude	42.741555/-84.611519
Tax ID	040-012-400-060-00

Transaction Data

Sale Date	11-01-2019	**Financing**	Cash to Seller
Sale Status	Closed	**Conditions of Sale**	Arms Length
Grantor	4300 West Saginaw, LLC.	**Deed Book/Page**	2812/0545
Grantee	LPC Partners, L.C.	**Sale Price**	$1,575,000
Property Rights	Fee Simple	**Adjusted Price**	$1,575,000

Property Description

Gross Building SF	140,695	**Pkg/1,000 SF NRA**	4.12
Net Rentable SF	140,695	**Gross Acres**	24.03
Building Condition	Below Average	**Usable Acres**	24.03
Building Quality	Average	**Flr. Area Ratio (FAR)**	0.13
Construction Class	C - Masonry	**Gross Land to Bldg**	7.44
Year Built	1960	**Usable Land to Bldg**	7.44
Occupancy Type	Owner Occupied	**Access**	Adequate
Tenancy	Single-Tenant	**Visibility**	Average
Parking Conforms	Yes	**Earthquake Zone**	Not located in an earthquake zone.
Parking Spaces	580		
Pkg/1,000 SF GBA	4.12		

Physical Indicators

$/SF GBA	$11.19	**Occupancy at Sale**	0.0%
$/SF NRA	$11.19		

Verification

Confirmed With	Steve Eisenshtadt - Friedman RE and public records
Confirmed By	Nicholas G. Groves
Confirmation Date	12-02-2020

Remarks

The property was originally a school that was converted into an office in years past. The buyer originally intended on using the property as a call center. The building came with extra power, a generator, and some office furniture. While the subject was sold via an auction, the transaction appears to reflect the market. The seller had a reserve that was met.

OFFICE COMPARABLE 3

Property Identification

Property/Sale ID	11099133/1505647
Property Type	Office Building
Property Name	The Milton
Address	25 W Michigan AVenue
City, State Zip	Battle Creek, Michigan 49017
County	Calhoun
MSA	Kalamazoo-Battle Creek
Latitude/Longitude	42.319730/-85.183494
Tax ID	52-0252-00-059-0

Transaction Data

Sale Date	05-23-2019	**Property Rights**	Fee Simple
Sale Status	Closed	**Financing**	Conventional
Grantor	616 Lofts, Derek Coppess	**Conditions of Sale**	Arms Length
Grantee	Cascade Retail, Mark Harmsen	**Sale Price**	$3,000,000
		Adjusted Price	$3,000,000

Property Description

Gross Building SF	122,937	**Tenancy**	Multi-Tenant
Net Rentable SF	90,000	**Gross Acres**	0.76
Stories	19	**Usable Acres**	0.76
Building Condition	Below Average	**Flr. Area Ratio (FAR)**	3.71
Building Quality	Average	**Gross Land to Bldg**	0.27
Construction Class	B - Fire Resistant, Reinforced Concrete Frame	**Usable Land to Bldg**	0.27
		Access	Average
Year Built	1933	**Visibility**	Good
Occupancy Type	Multi-tenant	**Corner/Interior**	Interior

Physical Indicators

$/SF GBA	$24.40	**Occupancy at Sale**	0.0%
$/SF NRA	$33.33		

Verification

Confirmed With	Assessing records, press release
Confirmed By	Cameron Clark
Confirmation Date	11-03-2020

Remarks

Buyer plans the renovate to add 85 residential units and leave 32,000 sf of commercial space.

OFFICE COMPARABLE 4

Property Identification

Property/Sale ID	5207451/1509827
Property Type	Office Other
Property Name	Tower 14 Office Center
Address	21700 Northwestern Highway
City, State Zip	Southfield, Michigan 48075
County	Oakland
MSA	Detroit
Latitude/Longitude	42.451766/-83.210024
Tax ID	76-24-36-476-018

Transaction Data

Sale Date	05-24-2019	**Financing**	Land Contract
Sale Status	Closed	**Conditions of Sale**	Arms Length
Grantor	Sharnosa, LLC.	**Deed Book/Page**	52868/802
Grantee	Tower 14 Southfield, LLC.	**Sale Price**	$4,000,000
Property Rights	Leased Fee	**Adjusted Price**	$4,000,000

Property Description

Gross Building SF	251,588	**Parking Spaces**	900
Net Rentable SF	251,588	**Pkg/1,000 SF GBA**	3.58
Stories	14	**Pkg/1,000 SF NRA**	3.58
Building Condition	Below Average	**Gross Acres**	3.83
Building Quality	Average	**Usable Acres**	3.83
Construction Class	A - Structural Steel	**Flr. Area Ratio (FAR)**	1.51
Year Built	1972	**Gross Land to Bldg**	0.66
Occupancy Type	Tenant-occupied	**Usable Land to Bldg**	0.66
Tenancy	Multi-Tenant	**Access**	Adequate
Elevators	1	**Visibility**	Good
Sprinklers	Wet system	**Earthquake Zone**	Not located in a flood zone
Parking Conforms	Yes	**Zoning Code**	B1

Physical Indicators

$/SF GBA	$15.90	**Occupancy at Sale**	11.0%
$/SF NRA	$15.90		

Verification

Confirmed With	Anne Galbraith Kohn, CBRE and public records
Confirmed By	Nicholas G. Groves
Confirmation Date	12-02-2020

Remarks

According to the broker, the property was recently renovated and while half of the building was in poor condition, approximately half was in good condition.

OFFICE COMPARABLE 5

Property Identification

Property/Sale ID	10994986/1577337
Property Type	Medical Office
Current Use	medical and general office
Property Name	Care Free Medical Building
Address	1100 West Saginaw Street
City, State Zip	Lansing, Michigan 48915
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.741333/-84.567544
Tax ID	33-01-01-08-458-372, 33-01-01-08-458-066, 33-01-01-08-458-104

Transaction Data

Sale Date	01-31-2022	**Financing**	Cash to Seller
Sale Status	Closed	**Conditions of Sale**	Arms Length
Grantor	RF Fund Lansing 1 LLC	**Deed Book/Page**	2022-004656
Grantee	SRL Group Lansing LLC	**Sale Price**	$1,935,000
Property Rights	Leased Fee	**Adjusted Price**	$1,935,000

Property Description

Gross Building SF	44,995	**Pkg/1,000 SF GBA**	2.89
Net Rentable SF	44,984	**Pkg/1,000 SF NRA**	2.89
Stories	6	**Gross Acres**	2.29
Building Condition	Average	**Usable Acres**	2.29
Building Quality	Average	**Flr. Area Ratio (FAR)**	0.45
Construction Class	B - Fire Resistant, Reinforced Concrete Frame	**Gross Land to Bldg**	2.22
		Usable Land to Bldg	2.22
Year Built	1965	**Access**	Average
Yr. Blt. Comments	See chart below	**Visibility**	Average
Occupancy Type	Tenant-occupied	**Corner/Interior**	Corner
Tenancy	Multi-Tenant	**Flood Hazard Zone**	X
Elevators	2	**Earthquake Zone**	The site is not located in an Earthquake Zone.
Sprinklers	Wet system		
Parking Conforms	No	**Zoning Jurisdiction**	City of Lansing
Parking Spaces	130	**Zoning Code**	INST-2

Physical Indicators

$/SF GBA	$43.26	**$/SF NRA**	$45.71

Verification

Confirmed With	GS Khalsa, broker
Confirmed By	Robert W. McLean
Confirmation Date	02-16-2022

Remarks

Property contains a deed restriction: Grantee agrees that for a period of thirty (30) years from and after the date of this conveyance, the Property shall not be purchased, leased, subleased, occupied, licensed or otherwise used by a hospital, health system, or health plan competitor of Grantor as determined by Grantor, in Grantor's sole discretion and that this restriction shall be a covenant running with the land and shall be contained in and made part of every deed, mortgage, lease or other instrument affecting the title to said Property.

Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, a negative adjustment was applied. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Real Property Rights Conveyed

Real property rights conveyed influence sales prices and must be considered when analyzing a sale comparable. The property rights appraised reflect the fee simple interest. Comparables 4 & 5 conveyed the lease fee interest, and each was adjusted downwards 5%.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Additionally, a downward adjustment may be applied to a listing price, which usually reflects the upper limit of value. The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. The parties to the sale comparables did not anticipate expenditures immediately after purchase; no adjustments were required.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions. Discussions with market participants and a review of market data indicated overall market conditions for office properties have been flat, with recent transactions confirming this trend. An annual adjustment factor of 0% was applied to each comparable to account for changes in market conditions.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments. The reasoning for the adjustments applied to each comparable follow.

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors.

The subject property is located in Lansing, along South Capital Avenue with average access and good visibility. Comparable 2 is inferior and an upward adjustment of 10.0% was warranted. Comparable 3 is inferior and an upward adjustment of 10.0% was warranted. Comparable 4 is inferior and an upward adjustment of 5.0% was also warranted.

Size

The size adjustment addresses variance in the gross building area of the comparables and that of the subject, as a larger building typically commands a lower sale price per unit than a smaller building. This inverse relationship is due, in part, to the principle of "economies of scale." The subject property consists of 92,608 square feet of net rentable area, while the sales range in size from 44,995 to 251,588.Comparable 4 is inferior and an upward adjustment of 20.0% was warranted.
Comparable 5 is superior and a downward adjustment of 5.0% was warranted.

Age/Condition

All else being equal, older properties typically command a lower price per unit than newer properties. However, although a property may be older than another property, the effective age may be similar to a newer property with no adjustment warranted. This may be due to the older property being well maintained or a recent renovation. The adjustments to the comparables were based on effective age rather than actual age, which takes the remaining economic life estimate into consideration. The subject property has been updated over the years has in in average condition.

Comparable 2 was built in 1960 and is in below average condition. Therefore, an upward adjustment of 10.0% was warranted. Comparable 3 was built in 1933 and is in below average condition. Therefore, an upward adjustment of 10.0% was warranted. Comparable 4 was built in 1972 and is in below average condition. Therefore, an upward adjustment of 10.0% was warranted.

Construction Quality

This adjustment category reflects market stature and appeal to market participants. The subject property and comparables were classified and adjustment factors of 5.0% for construction class and 10.0% for quality rating differences were applied. Comparable 2 consists of average class c construction, and thus a positive adjustment of 10% was applied.

Design/Functional Utility

The subject property has average design/functional utility. Comparable 5 was configured for some medial office uses, and thus was adjusted downwards 5%.

Land-to-Building Ratio

The subject property has a land-to-building ratio of 0.15-to-1. Comparables 2 and 5 have superior ratios, and each was adjusted downwards 2.5%.

Economic Characteristics

Economic characteristics include all the attributes of a property that directly affect its income. This element of comparison is typically considered with income-producing properties. These characteristics include operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses.

Non-Realty Components of Value

Non-realty components of value include tangible items, equipment, and business concerns that do not constitute real property but are included in either the sale price of the comparable property or the ownership interest in the subject property. These components should be analyzed separately from the real property. In most cases, the economic lives, associated investment risks, rate of return criteria, and collateral security for such non-realty components differ from those of the real property.

Furniture, fixtures, and equipment are typical examples of items that may be included in a comparable sale. In appraisals of properties in which the business operation is essential to the use of the real property, the contributory value of the non-realty component must be analyzed. If the contributory value of the non-realty component cannot be separated from the value of the real property as a whole, we should make clear that the value indication using the Sales Comparison Approach reflects both the contributory value of the real estate and the value of the business operation.

Summary of Adjustments

A summary of the adjustments made to the sale comparables is presented in the following adjustment grid:

COMPARABLE SALES ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID		1505630	1509850	1505647	1509827	1577337
Date of Value & Sale	October-23	July-20	November-19	May-19	May-19	January-22
Property Name	Temple Building	501 South Capitol Avenue		The Milton	Tower 14 Office Center	Care Free Medical Building
Gross Building Area	109,826 sf	71,208	140,695	122,937	251,588	44,995
Land Area (acres)	0.3760	1.5000	24.0310	0.7600	3.8300	2.2920
Unadjusted Sales Price		$2,475,000	$1,575,000	$3,000,000	$4,000,000	$1,935,000
Unadjusted Sales Price PSF of GBA		**$34.76**	**$11.19**	**$24.40**	**$15.90**	**$43.00**
Transactional Adjustments						
Property Rights Conveyed	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Leased Fee*	*Leased Fee*
Adjustment		-	-	-	-5.0%	-5.0%
Adjusted Sales Price		$34.76	$11.19	$24.40	$15.10	$40.85
Financing Terms	*Cash to Seller*	*Conventional*	*Cash to Seller*	*Conventional*	*Land Contract*	*Cash to Seller*
Adjusted Sales Price		$34.76	$11.19	$24.40	$15.10	$40.85
Conditions of Sale	*Typical*	*Arms Length*	*Arms Length*	*Arms Length*	*Arms Length*	*Arms Length*
Adjusted Sales Price		$34.76	$11.19	$24.40	$15.10	$40.85
Expenditures after Sale						
Adjustment		-	-	-	-	-
Adjusted Sales Price		**$34.76**	**$11.19**	**$24.40**	**$15.10**	**$40.85**
Market Conditions Adjustments						
Elapsed Time from Date of Value		*3.20 years*	*3.93 years*	*4.37 years*	*4.37 years*	*1.67 years*
Market Trend Through	October-23	-	-	-	-	-
Analyzed Sales Price		**$34.76**	**$11.19**	**$24.40**	**$15.10**	**$40.85**
Property Adjustments						
Location	*217 South Capitol Avenue Lansing, Michigan*	*501 South Capitol Avenue Lansing, Michigan*	*4300 W. Saginaw Highway Lansing, Michigan*	*25 W Michigan AVenue Battle Creek, Michigan*	*21700 Northwestern Highway Southfield, Michigan*	*1100 West Saginaw Street Lansing, Michigan*
Adjustment		-	10.0%	10.0%	5.0%	-
Size	109,826 sf	71,208 sf	140,695 sf	122,937 sf	251,588 sf	44,995 sf
Adjustment		-	-	-	20.0%	-5.0%
Age/Condition Year Built	*1924*	*1970*	*1960*	*1933*	*1972*	*1965*
Condition	*Average*	*Average*	*Below Average*	*Below Average*	*Below Average*	*Average*
Adjustment		-	10.0%	10.0%	10.0%	-
Construction Quality	*Good Class B - Fire Resistant, Reinforced Concrete Frame*	*Good Class*	*Average Class C - Masonry*	*Average Class B - Fire Resistant, Reinforced Concrete Frame*	*Average Class A - Structural Steel*	*Average Class B - Fire Resistant, Reinforced Concrete Frame*
Adjustment		-	10.0%	-	-	-
Design/Functional Utility						
Adjustment		-	-	-	-	-5.0%
Land-to-Building Ratio	*0.15-to-1*	*0.92-to-1*	*7.44-to-1*	*0.27-to-1*	*0.66-to-1*	*2.22-to-1*
Adjustment		-	-2.5%	-	-	-2.5%
Net Physical Adjustment		-	27.5%	20.0%	35.0%	-12.5%
Adjusted Sales Price PSF of GBA		**$34.76**	**$14.27**	**$29.28**	**$20.39**	**$35.75**

Sales Comparison Approach Value Indication

The comparable sales were presented and adjusted based on pertinent elements of comparison. The following table summarizes the results of the analysis.

Improved Sales Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sale Price per Sq. Ft.	$11.19	$11.19	$14.27
Maximum Sale Price per Sq. Ft.	$43.00	$40.85	$35.75
Median Sale Price per Sq. Ft.	$24.40	$24.40	$29.28
Mean Sale Price per Sq. Ft.	$25.85	$25.26	$26.89

Sale 1 was considered the most comparable due to its lack of required adjustments and was given the most weight. Based on the adjusted prices and the most comparable sale, a unit value near the upper end of the adjusted range was estimated for the subject property. The sales comparison approach conclusion is presented in the following table:

Improved Sales Comparison Approach Value Indication				
As Is Fee Simple Market Value Indication				
109,826 sf	x	**$32.00**	=	**$3,514,432**
			say	**$3,500,000**

Income Capitalization Approach

Methodology

The Income Capitalization Approach is developed by converting anticipated future income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The process of developing the income approach consists of the following analyses: Income, Vacancy, Expense, and Rate Analysis.

Application of Methodology

Given the nature of the property being appraised, the discounted cash flow method was used to develop a market value indication.

Income Analysis

The income analysis involves a review of the existing subject leases (if any) and comparison to market rent levels, as well as additional income sources and expense recoveries. The sum of all income results in potential gross income (PGI).

Rent Roll

The property was vacant as of the effective date of this appraisal.

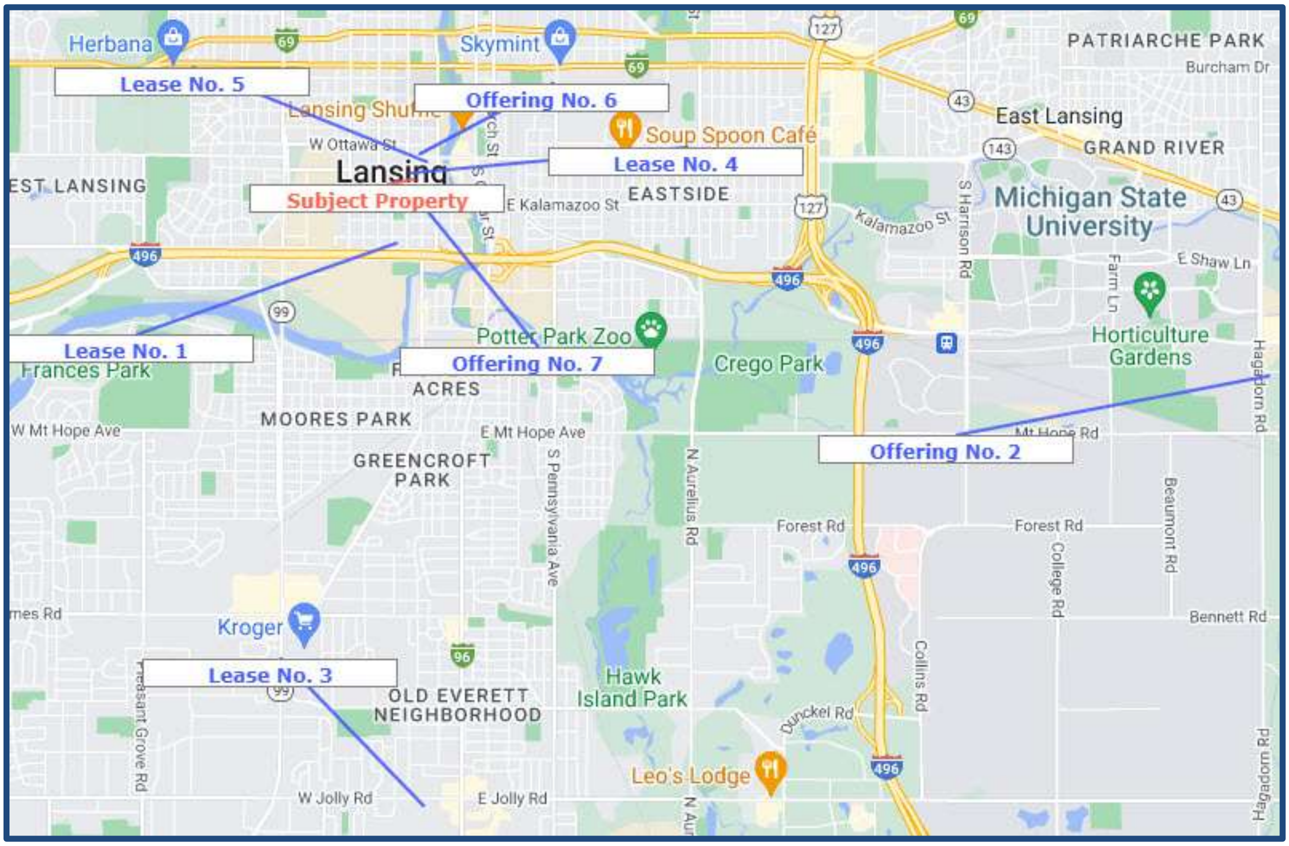
Market Rent Estimate

The market was studied to identify the most comparable properties with a focus on those that compete for occupants based on location and appeal. Of these properties, rental data was available for the following rent comparables, which were analyzed to estimate market rent for the subject property. Each rent comparable is identified in the following table and is followed by a map illustrating the location of each comparable relative to the subject property. Details of each comparable follow the location map.

Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Location		Rental Rate / SF	Lease Structure
1	March-21	Lease	620 S Capitol Ave	Lansing, Michigan	$18.10	Full Service
2	January-00	Lease	4650-4700 S. Hagadorn Road	Meridian Township, Michigan	$20.00	Full Service
3	July-19	Lease	120 E. Jolly Road	Lansing, Michigan	$22.27	Full Service
4	March-21	Lease	123 W Allegan Street	Lansing, Michigan	$27.04	Gross
5	January-00	Lease	101 S. Washington Square	Lansing, Michigan	$22.80	Full Service
6	September-23	Lease	107 N Washington Square	Lansing, Michigan	$16.00	Modified Gross
7	September-23	Lease	401 S. Washington Avenue	Lansing, Michigan	$16.00	Full Service
8	September-23	Survey	215 S. Washington Square	Lansing, Michigan	$18.00	Full Service

RENT COMPARABLE LOCATION MAP



OFFICE COMPARABLE 1

Property Identification

Property/Rent ID	11221498/602094
Property Type	Office Building
Current Use	Office
Address	620 S Capitol Ave
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.726827/-84.555114
Tax ID	33-01-01-16-383-004

Transaction Data

Lessee	Michigan Sheriffs' Association Educational Services
Suite No.	320A & B
Tenant SF	2,630
Lease Status	Executed
Commencement	03-15-2021
Expiration	03-14-2028

Term (mos.)	85
Lease Type	Full Service

Rental Rates

Initial Rent/SF	$18.10
Current Rent/SF	$18.10
Effective Rent/SF	$18.10

Property Description

Gross Building SF	32,416	**Parking Spaces**	73
Net Rentable SF	27,939	**Pkg/1,000 SF GBA**	2.25
Year Built	1993	**Pkg/1,000 SF NRA**	2.61
Tenancy	Multi-Tenant	**Gross Acres**	1.33
Occupancy Type	Owner and tenant-occupied	**Usable Acres**	1.33
		Flr. Area Ratio (FAR)	0.56
Building Quality	Average	**Land to Bldg Ratio**	1.78
Building Condition	Above Average	**Access**	Good
Stories	3	**Visibility**	Good
Elevators	1	**Corner/Interior**	Corner
Sprinklers	Full coverage		

Verification

Confirmed With	Copy of Lease
Confirmed By	Cameron Clark

OFFICE COMPARABLE 2

Property Identification

Property/Rent ID	2213520/649427
Property Type	Office Other
Property Name	Hannah Technology & Research Center
Address	4650-4700 S. Hagadorn Road
City, State Zip	Meridian Township, Michigan
County	Ingham
MSA	Lansing
Latitude/Longitude	42.716316/-84.461386
Tax ID	4650 - 33-02-02-20-303-002 4660 - 33-02-02-20-301-003

Transaction Data

Tenant SF	10,247
Entire Bldg Lease	No
Lease Status	Listing
Commencement	04-07-2023
Lease Type	Full Service

Rental Rates

Initial Rent/SF	$20.00
Effective Rent/SF	$20.00

Property Description

Gross Building SF	213,989	**Occupancy Type**	Owner Occupied
Net Rentable SF	213,989	**Building Condition**	Good
Year Built	1985	**Stories**	6

Verification

Confirmed With	Listing
Confirmed By	James T. Hartman
Confirmation Date	04-07-2023

Remarks

Building 4650 2nd floor.

OFFICE COMPARABLE 3

Property Identification

Property/Rent ID	10977159/442562
Property Type	Office
Current Use	Office
Property Name	U.S. Military Processing Command
Address	120 E. Jolly Road
City, State Zip	Lansing, Michigan 48910
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.682460/-84.552112
Tax ID	33-01-05-04-202-011

Transaction Data

Lessee	The United States of America
Tenant SF	34,202
Entire Bldg Lease	Yes
Lease Status	Executed
Commencement	07-01-2019
Expiration	06-30-2029
Term (mos.)	120

Lease Type	Full Service

Rental Rates

Initial Rent/SF	$22.27
Current Rent/SF	$22.27
Effective Rent/SF	$22.27

Property Description

Gross Building SF	34,202	**Parking Spaces**	130
Net Rentable SF	34,202	**Pkg/1,000 SF GBA**	3.80
Year Built	1988	**Pkg/1,000 SF NRA**	3.80
Tenancy	Single-Tenant	**Gross Acres**	2.56
Occupancy Type	Tenant-occupied	**Usable Acres**	2.56
Building Quality	Average	**Flr. Area Ratio (FAR)**	0.31
Building Condition	Average	**Land to Bldg Ratio**	3.26
Stories	1	**Access**	Adequate
Units	1	**Visibility**	Average
Elevators	0	**Corner/Interior**	Corner
Sprinklers	Wet system		

Verification

Confirmed With	Copy of lease
Confirmed By	Nicholas G. Groves
Confirmation Date	07-31-2019

Remarks

OFFICE COMPARABLE 4

Property Identification

Property/Rent ID	10931260/631740
Property Type	Office Building
Current Use	Office
Property Name	The Louie
Address	123 W Allegan Street
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.732371/-84.553415
Tax ID	33-01-01-16-328-001

Transaction Data

Lessee	Freedom Embassy
Suite No.	600/700
Tenant SF	15,002
Entire Bldg Lease	No
Lease Status	Executed
Commencement	03-07-2021
Expiration	03-13-2031
Term (mos.)	121

Lease Type	Gross
Renewal Options	Yes

Rental Rates

Initial Rent/SF	$27.04
Current Rent/SF	$27.04
Effective Rent/SF	$27.04

Property Description

Gross Building SF	95,000	**Parking Spaces**	21
Net Rentable SF	79,377	**Pkg/1,000 SF GBA**	0.22
Year Built	1959	**Pkg/1,000 SF NRA**	0.26
Investment Class	A	**Gross Acres**	0.18
Tenancy	Multi-Tenant	**Usable Acres**	0.18
Occupancy Type	Multi-tenant	**Flr. Area Ratio (FAR)**	12.18
Building Quality	Good	**Land to Bldg Ratio**	0.08
Building Condition	Good	**Access**	Average
Stories	10	**Visibility**	Good
Elevators	3	**Corner/Interior**	Corner
Sprinklers	Wet system		

Verification

Confirmed With	Rent Roll
Confirmed By	Cameron Clark

Office Comparable 5

Property Identification

Property/Rent ID	10208037/481172
Property Type	Office
Property Name	101 S. Washington Development, LLC
Address	101 S. Washington Square
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.733326/-84.551830
Tax ID	33-01-01-16-401-002

Transaction Data

Lessee	County Road Association
Tenant SF	3,289
Lease Status	Executed
Commencement	02-01-2020
Expiration	01-31-2025
Term (mos.)	60
Lease Type	Full Service

Rent Escalation	2% per year

Rental Rates

Initial Rent/SF	$22.80
Current Rent/SF	$22.80
Effective Rent/SF	$22.80

Property Description

Gross Building SF	65,600	**Office Ratio (%)**	0.0%
Net Rentable SF	64,879	**Sprinklers**	Wet system
Year Built	1917	**Gross Acres**	0.20
Investment Class	B	**Usable Acres**	0.20
Tenancy	Multi-Tenant	**Flr. Area Ratio (FAR)**	7.38
Occupancy Type	Multi-tenant	**Land to Bldg Ratio**	0.14
Building Quality	Good	**Access**	Good
Building Condition	Good	**Visibility**	Good
Stories	9	**Corner/Interior**	Corner

RETAIL COMPARABLE 6

Property Identification

Property/Rent ID	10208276/664788
Property Type	Mixed Use
Property Name	107 N Washington Square
Address	107 N Washington Square
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.733955/-84.552510
Tax ID	33-01-01-16-182-043

Transaction Data

Suite No.	1
Tenant SF	1,500
Entire Bldg Lease	No
Lease Status	Listing
Commencement	09-11-2023
Expiration	09-10-2026
Term (mos.)	36

Lease Type	Modified Gross

Rental Rates

Initial Rent/SF	$16.00
Current Rent/SF	$16.00
Effective Rent/SF	$16.00

Property Description

Gross Building SF	4,545	**Office Ratio (%)**	0.0%
Net Rentable SF	4,300	**Sprinklers**	Wet system
Year Built	1885	**Parking Spaces**	0
Tenancy	Multi-Tenant	**Gross Acres**	0.04
Occupancy Type	Multi-tenant	**Usable Acres**	0.04
Building Quality	Average	**Flr. Area Ratio (FAR)**	2.90
Building Condition	Good	**Land to Bldg Ratio**	0.35
Stories	3	**Access**	Good
Units	3	**Visibility**	Good
Elevators	0	**Corner/Interior**	Interior

Remarks

Tenant pays utilities

MULTIFAMILY COMPARABLE 7

Property Identification

Property/Rent ID	2214266/664796
Property Type	Multifamily Other
Property Name	The Arbaugh
Address	401 S. Washington Avenue
City, State Zip	Lansing, Michigan 48933
County	Ingham
MSA	Lansing-East Lansing
Latitude/Longitude	42.729589/-84.551951
Tax ID	33-01-01-16-451-006

Transaction Data

Lessee	Tenant
Suite No.	100
Tenant SF	8,724
Lease Status	Listing
Commencement	09-12-2023
Expiration	09-12-2026

Rental Rates

Initial Rent/SF	$16.00
Effective Rent/SF	$16.00

Property Description

Gross Building SF	50,556	**Stories**	5
Net Rentable SF	50,556	**Units**	48
Year Built	1905	**Access**	Adequate
Tenancy	Multi-Tenant	**Visibility**	Good
Building Quality	Average	**Corner/Interior**	Corner
Building Condition	Good		

Verification

Confirmed With	Listing
Confirmed By	Cameron Clark

Remarks

The building is an older loft style building that has been converted in 2005 to office/retail on the first floor and 4 levels of apartments on the upper floors. The building has underground and open parking spaces. The units have ceilings 10 feet tall, and the top floor has 17 feet ceiling heights. The building is almost exclusively leased to Cooley Law students.

MG

Market Rent Analysis

The rent comparables are a mixture of executed leases and listing in the Lansing office market. The market comparables ranged from $16.00 per square foot to $27.04 per square foot. These leases are full-service leases and so are most office leases in the city, thus the appraiser will be projecting a full-service lease structure for the subject. The appraiser has projected the market rate the subject property to be $21.00 per square foot, with the land lord responsible for all expenses.

Potential Rental Income

Potential rental income during the first year of the analysis was estimated based on the market rent estimate.

Expense Recoveries

The predominant lease structure in the market is a full-service lease structure with no expenses reimbursable.

Vacancy/Collection Loss

In this section, the subject's existing vacancy is compared to the market. Turnover and collection loss is also considered. The application of vacancy and collection loss develops effective gross income (EGI), discussed as follows. The subject property is currently 100.0% vacant. A comparison of the Lansing MSA and Central Lansing is presented below:

Historical Vacancy

Period	Lansing MSA - Over 50,000 Sf	Central Lansing - Over 50,000 Sf
2023 Q2	2.1%	1.8%
2022 Q2	2.7%	2.1%
2021 Q2	4.7%	5.7%
2020 Q2	2.0%	1.7%
2019 Q2	3.4%	4.2%
2018 Q2	2.7%	3.4%
Average	**3.1%**	**3.4%**

It should be noted that Lansing real estate company Martin Commercial has stated in the first half of 2023 that office vacancy was at 25.9%. Given the subject's location and the market data presented, a stabilized vacancy and collection loss of 18% was estimated.

Expense Analysis

Operating expenses represent deductions from the effective gross income that is necessary to maintain the leasing operations of the property. The subject property leases will be based on full-service lease structures with tenants reimbursing no expenses . The analysis accounts for all expense categories, as the landlord will be responsible for all expenses during periods of vacancy.

Subject Expense History

The subject was vacant and no expense history was provided.

Expense Comparables

A search for recent expense data of properties similar to the subject property was conducted. The following expense comparables were identified and used to estimate expenses for the subject property. The expense comparable data is presented in the following table:

Expense Comparables

Category	Expense Comp # 1			Expense Comp # 2			Expense Comp # 3			Expense Comp # 4			Expense Comp # 5		
Expense ID	78107			64995			54713			64639			73348		
Location	Portage, Michigan			Kalamazoo, Michigan			Warren, Michigan			Lansing, Michigan			Lansing, Michigan		
Investment Class															
Statement Type	Actual			Actual			Actual			Actual			Actual		
12 Month Period Ending	December-21			December-19			December-19			December-19			December-19		
Occupancy															
Net Rentable Area	50,000 SF to 100,000 SF			50,000 SF to 60,000 SF			75,000 SF to 125,000 SF			60,000 SF to 70,000 SF			40,000 SF to 50,000 SF		
	Amount	**PSF**	**% of EGI**	**Amount**	**PSF**	**% of EGI**	**Amount**	**PSF**	**% of EGI**	**Amount**	**PSF**	**% of EGI**	**Amount**	**PSF**	**% of EGI**
Effective Gross Income	**$1,820,673**	**$23.02**	**100.0%**	**$564,816**	**$9.92**	**100.0%**	**$1,381,048**	**$14.13**	**100.0%**	**$984,189**	**$15.03**	**100.0%**	**$203,262**	**$4.52**	**100.0%**
Operating Expenses															
Real Estate Taxes	$203,089	$2.57	11.2%	$105,039	$1.85	18.6%	$114,338	$1.17	8.3%	$108,039	$1.65	11.0%	$52,046	$1.16	25.6%
Property Insurance	$18,120	$0.23	1.0%	$11,963	$0.21	2.1%	$19,830	$0.20	1.4%	$8,275	$0.13	0.8%	$7,142	$0.16	3.5%
Management Fees	$72,773	$0.92	4.0%	$24,000	$0.42	4.2%	$43,308	$0.44	3.1%	$19,200	$0.29	2.0%	$16,861	$0.37	8.3%
Administrative	$10,987	$0.14	0.6%	$48,405	$0.85	8.6%	$43,091	$0.44	3.1%	$12,383	$0.19	1.3%	$8,813	$0.20	4.3%
Utilities	$251,006	$3.17	13.8%	$100,815	$1.77	17.8%	$281,006	$2.87	20.3%	$146,633	$2.24	14.9%	$114,004	$2.53	56.1%
Repairs & Maintenance	$129,766	$1.64	7.1%	$31,697	$0.56	5.6%	$282,312	$2.89	20.4%	$116,010	$1.77	11.8%	$41,725	$0.93	20.5%
Cleaning & Janitorial	$79,423	$1.00	4.4%	$28,608	$0.50	5.1%	$0			$69,198	$1.06	7.0%	$13,617	$0.30	6.7%
Payroll				$38,159	$0.67	6.8%							$14,560	$0.32	7.2%
Security													$683	$0.02	0.3%
Roads & Grounds													$1,169	$0.03	0.6%
Total Operating Expenses	**$765,164**	**$9.68**	**42.0%**	**$388,686**	**$6.83**	**68.8%**	**$783,885**	**$8.02**	**56.8%**	**$479,738**	**$7.33**	**48.7%**	**$270,620**	**$6.02**	**133.1%**

Non-Reimbursable Expenses

Real Estate Taxes

A tax expense of $157,590.38, was estimated in the Assessment and Tax Data section of this report.

Property Insurance

The following table presents the expense comparable data used to estimate property insurance expense for the subject property and the stabilized estimate:

Property Insurance

	Total Expense	
Expense Source	**Per Sq. Ft.**	**% of EGI**
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$0.23	1.0%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$0.21	2.1%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019	$0.20	1.4%
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$0.13	0.8%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$0.16	3.5%
Indicator Average	*$0.19*	*1.8%*
Stabilized Estimate:	*$0.20*	

Management Fees

The following table presents the expense comparable data used to estimate management fees for the subject property and the stabilized estimate:

Management Fees

	Total Expense	
Expense Source	**Per Sq. Ft.**	**% of EGI**
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$0.92	4.0%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$0.42	4.2%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019	$0.44	3.1%
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$0.29	2.0%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$0.37	8.3%
Indicator Average	*$0.49*	*4.3%*
Stabilized Estimate:		*3.0%*

Administrative

The following table presents the expense comparable data used to estimate administrative expense for the subject property and the stabilized estimate:

	Total Expense	
Expense Source	**Per Sq. Ft.**	**% of EGI**
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$0.14	0.6%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$0.85	8.6%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019	$0.44	3.1%
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$0.19	1.3%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$0.20	4.3%
Indicator Average	*$0.36*	*3.6%*
Stabilized Estimate:	*$0.20*	

Utilities

The following table presents the expense comparable data used to estimate utilities expense for the subject property and the stabilized estimate:

Utilities	**Per Sq. Ft.**	**% of EGI**
	Total Expense	
Expense Source	**Per Sq. Ft.**	**% of EGI**
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$3.17	13.8%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$1.77	17.8%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019	$2.87	20.3%
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$2.24	14.9%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$2.53	56.1%
Indicator Average	*$2.52*	*24.6%*
Stabilized Estimate:	*$2.30*	

Utilities expense was applied as a 30% variable expense in the discounted cash flow; therefore, it is lower in periods of below-stabilized occupancy.

Repairs & Maintenance

The following table presents the expense comparable data used to estimate repairs and maintenance expense for the subject property and the stabilized estimate:

Repairs & Maintenance

	Total Expense	
Expense Source	Per Sq. Ft.	% of EGI
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$1.64	7.1%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$0.56	5.6%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019	$2.89	20.4%
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$1.77	11.8%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$0.93	20.5%
Indicator Average	*$1.56*	*13.1%*
Stabilized Estimate:	*$1.75*	

Cleaning & Janitorial

The following table presents the expense comparable data used to estimate cleaning and janitorial expense for the subject property and my stabilized estimate

Cleaning & Janitorial

	Total Expense	
Expense Source	Per Sq. Ft.	% of EGI
Expense Comp # 1 - Portage, Michigan - Actual - 12/2021	$1.00	4.4%
Expense Comp # 2 - Kalamazoo, Michigan - Actual - 12/2019	$0.50	5.1%
Expense Comp # 3 - Warren, Michigan - Actual - 12/2019		
Expense Comp # 4 - Lansing, Michigan - Actual - 12/2019	$1.06	7.0%
Expense Comp # 5 - Lansing, Michigan - Actual - 12/2019	$0.30	6.7%
Indicator Average	*$0.72*	*5.8%*
Stabilized Estimate:	*$1.05*	

Replacement Reserves

Considering the age of the subject property and PWC, a reserve for replacement in the $0.10-0.20 range is considered appropriate. Therefore, I deducted a cost of $0.10 per square foot for this category.

Discounted Cash Flow Analysis

Property Assumptions

The following table presents a summary of the assumptions used in the discounted cash flow. A discussion of each assumption follows:

Discounted Cash Flow Estimates

Valuation Scenario	As Is Fee Simple Market Value Indication
Date of Value	October-23
Holding Period	10 Years
Annual Rent Growth	2.00%
Annual Expense Growth	2.00%
Actual Vacancy	100.0%
Stabilized Vacancy	18.0%
Discount Rate	10.50%
Terminal Cap. Rate	9.50%
Cost of Sale	3.00%

Space Type	NRA	Initial Occupancy	Market Rent	Contract Rent	Lease Structure	TI Allowance New	TI Allowance Renew	Leasing Commissions New	Leasing Commissions Renew
Office	92,608	100.0%	$0.00 psf	$0.00 psf	Full Service	$40.00 psf	$5.00 psf	5.0%	2.0%

Projection Period

A 10-year holding period is consistent with the practices of typical investors and lenders and the maturity periods for loans as published by the American Council of Life Insurance Companies. Many investors perform 10-year projections regardless of the anticipated holding period of the investment.

Occupancy and Absorption

As leases expire, turnover was applied based on the 18.0% vacancy rate with renewal probability of 65% for all spaces.

Rental Growth

The following table highlights various market rent growth rates published by the investor surveys:

Investor Surveys - Market Rent Change

Survey	Date	Annual Δ Range			Average
PwC - National CBD Office Market	2Q23	0.00%	to	3.00%	1.40%
PwC - National Secondary Office Market	2Q23	0.00%	to	3.00%	1.21%
	Average	**0.00%**	**to**	**3.00%**	**1.31%**

Based on discussions with market participants and the foregoing data, annual market rent growth of 2% was applied.

Expense Growth

The following table highlights various expense growth rates published by the investor surveys:

Investor Surveys - Operating Expense Change

Survey	Date	Annual Δ Range			Average
PwC - National CBD Office Market	2Q23	2.00%	to	4.00%	3.10%
PwC - National Secondary Office Market	2Q23	2.00%	to	5.00%	3.36%
	Average	**2.00%**	**to**	**4.50%**	**3.23%**

Based on discussions with market participants and the foregoing data, annual expense growth of 2% was applied.

Tenant Improvement Allowances

A tenant improvement allowance of $40.00 per square foot was estimated for all market leases to new tenants. Further, a tenant improvement allowance of $5.00 was estimated for renewals.

Leasing Commissions

Discussions with area leasing agents indicated commission rates for new tenants are 5.00% for new leases and 2.00% for renewals. These values were applied in the discounted cash flow.

Investor Surveys

The overall capitalization rates published by investor surveys are presented in the following table:

Investor Surveys - Overall Capitalization Rates

Survey	Date	Rate Range			Average
PwC - National Secondary Office Market	1Q23	6.00%	to	9.25%	7.53%
PwC - National CBD Office Market	1Q23	4.25%	to	7.50%	5.78%
PwC - National Suburban Office Market	1Q23	4.65%	to	8.00%	6.24%
RERC - National Office Market - CBD	4Q22	5.00%	to	8.00%	6.10%
RERC - National Office Market - Suburban	4Q22	5.00%	to	9.00%	6.70%
Realty Rates - Office	1Q23	5.68%	to	13.23%	10.03%
Realty Rates - Office - Suburban	1Q23	5.68%	to	12.04%	9.38%
Realty Rates - Office - CBD	1Q23	6.45%	to	13.23%	10.22%
	Average	**5.34%**	**to**	**10.03%**	**7.75%**

Market - Overall

The overall capitalization rates exhibited by comparable sales are presented in the following table:

Market Overall Capitalization Rate (OAR) Comparables

Comp. No.	Date of Sale	Location		Year Built	Actual OAR
1	April-20	39395 West 12 Mile Road	Farmington Hills, Michigan	1997	9.08%
2	July-20	501 Baldwin Street	Georgetown Township, Michigan	1996	7.49%
3	January-20	4300 Fashion Square Boulevard	Saginaw, Michigan	1990	9.37%
4	May-21	2400 Lake Lansing Road	Lansing Township, Michigan	1988	7.72%
5	March-21	16950 19 Mile Road	Clinton Township, Michigan	1982	7.87%
6	November-21	7953 Adobe Road	Alamo Township, Michigan	2000	8.83%
7	March-20	4489 Byron Center Avenue SW	Wyoming, Michigan	1998	8.18%
8					8.36%

Band of Investment Technique - Overall

The band of investment technique assumptions and calculations are presented in the following table:

Band of Investment Technique

Valbridge Assumptions			Survey	RealtyRates Range			Average
Mortgage Interest Rate	=	6.50%	Realty Rates -	4.82%	to	9.35%	6.59%
Mortgage Term	=	30 years	Office - CBD	15 yrs	to	40 yrs	30 yrs
Mortgage Ratio (M)	=	70.0%	2Q23	50%	to	80%	68%
Mortgage Constant (R_M)	=	0.07585					
Equity Dividend Rate (R_E)	=	12.00%		7.35%	to	15.35%	10.95%

Mortgage (LTV) Ratio (M)		Mortgage Constant (R_M)		Mortgage Component
70.0%	x	0.07585	=	0.05310
1 - Mortgage Ratio (1-M)		Equity Dividend Rate (R_E)		Equity Component
30.0%	x	12.00%	=	0.03600
		Overall Rate (R_O)	**=**	***8.91%***

The capitalization rate indications are as follows:

- Investors Survey Range: 5.78% to 10.22%
- Stabilized Market Range: 7.49% - 9.08%
- Band of Investment: 8.91%

The overall capitalization rate concluded is 9.00%

Terminal Capitalization Rate Conclusion

The variance between investor expectations for overall and terminal capitalization rates is presented in the following table:

Investor Surveys - Overall/Terminal Capitalization Rate Spreads

Survey	Date	Overall Rate		Terminal Rate	Spread
PwC - National Secondary Office Market	1Q23	7.53%	to	7.56%	3-BPS
PwC - National CBD Office Market	1Q23	5.78%	to	6.30%	52-BPS
PwC - National Suburban Office Market	1Q23	6.24%	to	7.30%	106-BPS
RERC - National Office Market - CBD	4Q22	6.10%	to	6.60%	50-BPS
RERC - National Office Market - Suburban	4Q22	6.70%	to	7.20%	50-BPS
	Average	**6.47%**	**to**	**6.99%**	**52-BPS**

Loading the overall capitalization rate indications results in a terminal capitalization rate of 9.50%.

Discount (Yield) Rate

Investor Surveys

Discount rates published by investor surveys are presented in the following table:

Investor Surveys - Overall/Discount Rate Spreads

Survey	Date	Overall Rate		Discount Rate	Spread
PwC - National Secondary Office Market	1Q23	7.53%	to	9.64%	211-BPS
PwC - National CBD Office Market	1Q23	5.78%	to	7.05%	127-BPS
PwC - National Suburban Office Market	1Q23	6.24%	to	7.84%	160-BPS
RERC - National Office Market - CBD	4Q22	6.10%	to	7.30%	120-BPS
RERC - National Office Market - Suburban	4Q22	6.70%	to	7.80%	110-BPS
Realty Rates - Office	1Q23	10.03%	to	12.00%	197-BPS
Realty Rates - Office - Suburban	1Q23	9.38%	to	11.46%	208-BPS
Realty Rates - Office - CBD	1Q23	10.22%	to	14.76%	454-BPS
	Average				**146-BPS**

Loading the overall capitalization rate indications results in a discount rate of 10.50%.

Cost of Sale

From the terminal value estimate, selling costs were deducted. This expense covers several items such as brokers' commissions, title insurance and closing fees. This was estimated at 3%.

Discounted Cash Flow Conclusions

Prospective Upon Completion and Stabilization Leased Fee Market Value Indication

Using the estimated terminal capitalization rate of 9.50% and discount rate of 10.50% indicated a preliminary fee simple market value indication of $3,635,602, rounded to $3,650,000.

Based on the estimates outlined in the preceding income analysis, the discounted cash flow schedule and conclusion is presented in the following table:

Temple Building
217 South Capital Ave
Lansing, MI

Software : ARGUS Ver. 15.0.1.26
File : 23-0266
Property Type : Office/Industrial
Portfolio :
Date : 10/5/23
Time : 1:49 pm
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Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 10/1/2023

For the Years Ending	Year 1 Sep-2024	Year 2 Sep-2025	Year 3 Sep-2026	Year 4 Sep-2027	Year 5 Sep-2028	Year 6 Sep-2029	Year 7 Sep-2030	Year 8 Sep-2031	Year 9 Sep-2032
Potential Gross Revenue									
Base Rental Revenue	$1,944,768	$1,969,078	$1,974,231	$1,959,647	$1,944,768	$1,970,070	$2,026,040	$2,092,855	$2,170,730
Absorption & Turnover Vacancy	(1,701,672)	(1,239,790)	(758,751)	(257,975)		(89,466)	(91,255)	(93,080)	(94,942)
Scheduled Base Rental Revenue	243,096	729,288	1,215,480	1,701,672	1,944,768	1,880,604	1,934,785	1,999,775	2,075,788
CPI & Other Adjustment Revenue		4,862	19,545	44,245	79,163	94,340	83,236	72,993	63,846
Total Potential Gross Revenue	243,096	734,150	1,235,025	1,745,917	2,023,931	1,974,944	2,018,021	2,072,768	2,139,634
General Vacancy				(102,726)	(364,308)	(282,128)	(288,415)	(296,773)	(307,282)
Effective Gross Revenue	243,096	734,150	1,235,025	1,643,191	1,659,623	1,692,816	1,729,606	1,775,995	1,832,352
Operating Expenses									
Real Estate Taxes	157,590	160,742	163,957	167,236	170,580	173,992	177,472	181,021	184,642
Property Insurance	18,522	18,892	19,270	19,655	20,048	20,449	20,858	21,275	21,701
Management	12,155	36,708	61,751	82,160	82,981	84,641	86,480	88,800	91,618
Administative	18,522	18,892	19,270	19,655	20,048	20,449	20,858	21,275	21,701
Utilities	82,537	122,208	163,433	206,257	230,556	228,308	232,875	237,532	242,283
Repairs & Maintenace	62,800	92,984	124,351	156,935	175,423	173,713	177,187	180,731	184,346
Cleaning & Janitorial	37,680	55,791	74,611	94,161	105,254	104,228	106,312	108,439	110,607
Replacement Reserves	9,261	9,446	9,635	9,828	10,024	10,225	10,429	10,638	10,851
Total Operating Expenses	399,067	515,663	636,278	755,887	814,914	816,005	832,471	849,711	867,749
Net Operating Income	(155,971)	218,487	598,747	887,304	844,709	876,811	897,135	926,284	964,603
Leasing & Capital Costs									
Tenant Improvements	926,080	926,080	926,080	926,080		217,274	221,620	226,052	230,573
Leasing Commissions	121,548	121,548	121,548	121,548		81,861	83,499	85,168	86,872
Total Leasing & Capital Costs	1,047,628	1,047,628	1,047,628	1,047,628		299,135	305,119	311,220	317,445
Cash Flow Before Debt Service & Taxes	($1,203,599)	($829,141)	($448,881)	($160,324)	$844,709	$577,676	$592,016	$615,064	$647,158

Temple Building
217 South Capital Ave
Lansing, MI

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Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 10/1/2023

For the Years Ending	Year 10 Sep-2033	Year 11 Sep-2034
Potential Gross Revenue		
Base Rental Revenue	$2,212,459	$2,231,083
Absorption & Turnover Vacancy		(98,778)
Scheduled Base Rental Revenue	2,212,459	2,132,305
CPI & Other Adjustment Revenue	81,337	108,589
Total Potential Gross Revenue	2,293,796	2,240,894
General Vacancy	(412,883)	(322,363)
Effective Gross Revenue	1,880,913	1,918,531
Operating Expenses		
Real Estate Taxes	188,335	192,101
Property Insurance	22,135	22,578
Management	94,046	95,927
Administative	22,135	22,578
Utilities	254,553	252,071
Repairs & Maintenace	193,681	191,793
Cleaning & Janitorial	116,209	115,076
Replacement Reserves	11,068	11,289
Total Operating Expenses	902,162	903,413
Net Operating Income	978,751	1,015,118
Leasing & Capital Costs		
Tenant Improvements		239,888
Leasing Commissions		90,381
Total Leasing & Capital Costs		330,269
Cash Flow Before Debt Service & Taxes	$978,751	$684,849

Temple Building
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Schedule Of Sources & Uses Of Capital
Equity is Based on Property Value, Leverage and Operating Requirements

For the Years Ending	Year 1 Sep-2024	Year 2 Sep-2025	Year 3 Sep-2026	Year 4 Sep-2027	Year 5 Sep-2028	Year 6 Sep-2029	Year 7 Sep-2030	Year 8 Sep-2031	Year 9 Sep-2032
Sources Of Capital									
Net Operating Gains		$218,487	$598,747	$887,304	$844,709	$876,811	$897,135	$926,284	$964,603
Initial Equity Contribution	3,635,602								
Net Proceeds from Sale									
Defined Sources Of Capital	3,635,602	218,487	598,747	887,304	844,709	876,811	897,135	926,284	964,603
Required Equity Contributions	1,203,599	829,141	448,881	160,324					
Total Sources Of Capital	$4,839,201	$1,047,628	$1,047,628	$1,047,628	$844,709	$876,811	$897,135	$926,284	$964,603
Uses Of Capital									
Property Present Value	$3,635,602								
Net Operating Loss	155,971								
Tenant Improvements	926,080	926,080	926,080	926,080		217,274	221,620	226,052	230,573
Leasing Commissions	121,548	121,548	121,548	121,548		81,861	83,499	85,168	86,872
Defined Uses Of Capital	4,839,201	1,047,628	1,047,628	1,047,628		299,135	305,119	311,220	317,445
Cash Flow Distributions					844,709	577,676	592,016	615,064	647,158
Total Uses Of Capital	$4,839,201	$1,047,628	$1,047,628	$1,047,628	$844,709	$876,811	$897,135	$926,284	$964,603
Unleveraged Cash On Cash Return									
Cash to Purchase Price	(33.11%)	(22.81%)	(12.35%)	(4.41%)	23.23%	15.89%	16.28%	16.92%	17.80%
NOI to Book Value	(3.33%)	3.81%	8.83%	11.34%	10.79%	10.79%	10.64%	10.60%	10.65%
Cash to Purchase Price & Costs	(33.11%)	(22.81%)	(12.35%)	(4.41%)	23.23%	15.89%	16.28%	16.92%	17.80%

Temple Building
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Lansing, MI

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Schedule Of Sources & Uses Of Capital
Equity is Based on Property Value, Leverage and Operating Requirements

For the Years Ending	Year 10 Sep-2033
Sources Of Capital	
Net Operating Gains	$978,751
Initial Equity Contribution	
Net Proceeds from Sale	10,364,889
Defined Sources Of Capital	11,343,640
Required Equity Contributions	
Total Sources Of Capital	$11,343,640
	===========
Uses Of Capital	
Property Present Value	
Net Operating Loss	
Tenant Improvements	
Leasing Commissions	
Defined Uses Of Capital	
Cash Flow Distributions	11,343,640
Total Uses Of Capital	$11,343,640
	===========
Unleveraged Cash On Cash Return	
Cash to Purchase Price	26.92%
NOI to Book Value	10.80%
Cash to Purchase Price & Costs	26.92%

Temple Building
217 South Capital Ave
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Prospective Present Value
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 10.50%
Year 1	Sep-2024	($1,203,599)	($1,089,230)
Year 2	Sep-2025	(829,141)	(679,053)
Year 3	Sep-2026	(448,881)	(332,694)
Year 4	Sep-2027	(160,324)	(107,535)
Year 5	Sep-2028	844,709	512,739
Year 6	Sep-2029	577,676	317,329
Year 7	Sep-2030	592,016	294,305
Year 8	Sep-2031	615,064	276,708
Year 9	Sep-2032	647,158	263,482
Year 10	Sep-2033	978,751	360,619
Total Cash Flow		1,613,429	(183,330)
Property Resale @ 9.50% Cap		10,364,889	3,818,932
Total Property Present Value			$3,635,602
Rounded to Thousands			$3,636,000
Per SqFt			39.26

Percentage Value Distribution

Assured Income	
Prospective Income	(5.04%)
Prospective Property Resale	105.04%
	100.00%

Temple Building
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Property Summary Report

Timing & Inflation	
Reporting Period:	October 1, 2023 to September 30, 2033; 10 years
Inflation Month:	Analysis Start
General Inflation Rate:	2.00%
Property Size & Occupancy	
Property Size:	92,608 Square Feet
Alternate Size:	1 Square Foot
Number of rent roll tenants:	0
Total Occupied Area:	0 Square Feet, 0.00%, during first month of analysis
Space Absorption	
Typical Space	92,608 Square Feet, leasing from 4/24 to 4/27 1 lease per year, 23,152 SqFt per lease
General Vacancy	
Method:	Percent of Potential Gross Revenue
Rate:	18.00%
Property Purchase & Resale	
Purchase Price:	-
Resale Method:	Capitalize Net Operating Income
Cap Rate:	9.50%
Cap Year:	Year 11
Commission/Closing Cost:	$320,564
Net Cash Flow from Sale:	$10,364,889
Present Value Discounting	
Discount Method:	Annually (Endpoint on Cash Flow & Resale)
Unleveraged Discount Rate:	10.50%
Unleveraged Present Value:	$3,635,602 at 10.50%

Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

Value Indications

Approach to Value	As Is
Cost	Not Developed
Sales Comparison	$3,500,000
Income Capitalization	Not Developed
Yield Capitalization (DCF)	$3,635,000

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	October 4, 2023
Value Conclusion	**$3,650,000**
	$33.23 PSF

To reach a final opinion of value, the reliability and relevance of each value indication was considered based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Income Approach, this approach was given primary weight in reconciling to the final value conclusions. Furthermore, office properties such as the subject property are typically purchased by Investors, who primarily rely upon the methods employed by the Income Approach.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

Analysis of Recent Sale

The subject property sold to the current owner for $1.7 million in 07/29/21. The final opinion of market value is higher than the recent sales price due to the seller reportedly being highly motivated.

Exposure Time and Marketing Period

Investor Surveys - Marketing Time

Survey	Date	Range (Mos.)			Average
PwC - National CBD Office Market	2Q23	3.0	to	12.0	8.7
PwC - National Secondary Office Market	2Q23	2.0	to	14.0	6.6
	Average	**2.5**	**to**	**13.0**	**7.7**

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 12-24 months and 12-24 months, respectively, are considered reasonable and appropriate for the subject property.

National Quality Control

Valbridge's top priority is delivering a quality report. Valbridge requires all reports to be reviewed by an experienced director with the MAI designation. This quality control assessment consists of reading the report, checking calculations, and providing feedback on its quality and consistency prior to report delivery. All Valbridge reports are signed by an experienced appraiser with the MAI designation.

Valbridge values all clients' opinions, and any/all feedback is critical to the ongoing efforts to improve client servicing. Please feel free to contact the National Quality Control Director below with any feedback, questions, or comments.

Tye Neilson, MAI, SRA, MRICS, Esq.
Senior Managing Director
832.916.4608
tneilson@valbridge.com

General Assumptions and Limiting Conditions

This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Southern Michigan will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Southern Michigan is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Southern Michigan and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Southern Michigan.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Southern Michigan both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Southern Michigan and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Southern Michigan or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | for this assignment, and under no circumstances shall any claim for consequential damages be made.

36. Valbridge Property Advisors | Southern Michigan shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Southern Michigan. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Southern Michigan and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Southern Michigan in such action, regardless of its outcome.

37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by The Oetzel – Hartman Group. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909. James T. Hartman, MAI, SGA, AI-GRS is currently licensed as a Certified General Real Estate Appraiser with the State of Michigan, Number 1205005950. Mr. Hartman is also licensed in the State of Indiana, the State of Ohio, and the State of Illinois.

James T. Hartman, MAI, SGA, AI-GRS is a member of the Society of Golf Appraisers (SGA). The Society of Golf Appraisers is an organization of real estate appraisers and consultants specializing in the valuation, market analysis, and feasibility analysis of golf courses and golf related properties.

The undersigned does hereby certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Within the last 3 years I was engaged to appraise the subject property, but the engagement was terminated.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or .amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- As of the date of this report, James T. Hartman, MAI, SGA, AI-GRS has completed the continuing education program for Designated Members of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- A thorough research project whose objective has been the discovery, confirmation, inspection, and analysis of data pertinent to this valuation situation has been completed.

- No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.

- The reported analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.

- The appraiser signing this report is competent to complete the assignment. The appraiser has the knowledge and experience to complete the assignment competently or has disclosed the lack of knowledge and/or experience to the client, taken all steps necessary or appropriate to complete the assignment competently and has described in the report the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with Title XI of the Federal Financial Institutions Reform Recovery, and Enforcement Act of 1989 (FIRREA) and its regulations, as well as the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Appraisal Institute. This report is intended to comply with the above requirements. The definition of market value is intended to follow the market value definition as per F.D.I.C.'s final rule of FIRREA - 12 C.F.R., § 323.2.

This appraisal is not to be used by the addressee or any recipient as a part of a presentation of a real estate syndicate.

A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, investment for gain from an interest in real property, including but not limited to, a sale, exchange, trade or development of real property, on behalf of others, or, which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency, which regulates investments made as a public offering.

James T. Hartman, MAI, SGA, AI-GRS
Certified General Real Estate Appraiser
State of Michigan, License # 1205005950
jhartman@valbridge.com

JTH:CMC/mns
File #MI01-23-0266

Certification

In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909. Cameron M. Clark is currently licensed as a Certified General Real Estate Appraiser with the State of Michigan, Number 1205075247.

The undersigned does hereby certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Within the last 3 years I was engaged to appraise the subject property, but the engagement was terminated.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*
- I have made a personal inspection of the property that is the subject of this report.
- A thorough research project whose objective has been the discovery, confirmation, inspection, and analysis of data pertinent to this valuation situation has been completed.
- No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
- The reported analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.

- The appraiser signing this report is competent to complete the assignment. The appraiser has the knowledge and experience to complete the assignment competently or has disclosed the lack of knowledge and/or experience to the client, taken all steps necessary or appropriate to complete the assignment competently and has described in the report the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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This appraisal is not to be used by the addressee or any recipient as a part of a presentation of a real estate syndicate.

A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, investment for gain from an interest in real property, including but not limited to, a sale, exchange, trade or development of real property, on behalf of others, or, which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency, which regulates investments made as a public offering.

Cameron M Clark

Cameron M. Clark
Certified General Real Estate Appraiser
State of Michigan, License # 1205075247
cclark@valbridge.com

JTH:CMC/mns
File #MI01-23-0266

Addenda

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 7th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an "as is" value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but that are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Bulk Value

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction. (Dictionary)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, [amenities,] and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

An attached, detached, or stacked unit within or attached to a structure with common areas that are held as tenants in common (an undivided interest) with other owners in the project. The units can be residential, commercial, industrial, or parking spaces or boat docks. These units are commonly defined by state laws in their locations. Because units can be stacked on top of other units, these units can be defined both vertically and horizontally. (Dictionary)

Conservation Easement
An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value
A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)
The ratio of net operating income to annual debt service ($DCR = NOI \div I_m$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction
A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation
In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation;
3. Both the buyer and seller are acting prudently and knowledgeably;
4. The seller is under compulsion to sell;
5. The buyer is typically motivated;
6. Both parties are acting in what they consider to be their best interests;
7. An adequate marketing effort will be made during the exposure time;
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. (Dictionary)

Double Net (Net Net) Lease
An alternative term for a type of net lease. In some markets, a net net lease is defined as a lease in which the tenant is responsible to pay both property taxes and premiums for insuring the building(s). (Valbridge)

(The market definition of a double net lease varies depending on the market)

Easement
The right to use another's land for a stated purpose. (Dictionary)

EIFS
Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date
1. The date on which the appraisal opinion applies. (SVP)
2. The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value. (USPAP, 2020-2021 ed.)
3. The date that a lease goes into effect. (Dictionary)

Effective Gross Income (EGI)
The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent
Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM
Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings.

Escalation Clause
A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause, expense recovery clause or stop clause*. (Dictionary)

Estoppel Certificate
A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land
Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent
The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop
A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time
1. The time a property remains on the market.
2. An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP, 2020-2021 ed.)

Extraordinary Assumption
An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area
In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area. (BOMA)

Full Service (Gross) Lease
A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)
Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value
An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)
1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Sellout Value (Sum of the Retail Values)

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use of for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

Insurable Value (Replacement Cost for Insurance Purposes)

The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted). (Dictionary)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)
2. The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth). (IVS)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest
The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest (Leasehold Estate)
The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

See also Positive Leasehold and Negative Leasehold.

Lessee (Tenant)
One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)
One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)
The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations
Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent
The most probable rent that a property should bring in a competitive and open market under all the conditions requisite to a fair lease transaction, the lessee and the lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

1. Lessee and lessor are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
4. The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs). (Appraisal Institute)

Market Value
The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary; 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease
1. A lease in which a part or the entire property is leased to a single entity (the master lessee) in return for a stipulated rent. The master lessee then subleases the property to multiple tenants.
2. The first lease in a sandwich lease. (Dictionary)

Modified Gross Lease
A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease, net net lease, partial net lease, or semi-gross le*ase. (Dictionary)

Negative Leasehold
A lease situation in which the market rent is less than the contract rent. (Dictionary)

Operating Expense Ratio
The ratio of total operating expenses to effective gross income (*TOE/EGI*); the complement of the net income ratio, i.e., *OER = 1 – NIR* (Dictionary)

Option
A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest
Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common or easement. (Dictionary)

Pass Through
A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Percentage Lease
A lease in which the rent or some portion of the rent represents a specified percentage of the volume of business, productivity, or use achieved by the tenant. (Dictionary)

Positive Leasehold
A lease situation in which the market rent is greater than the contract rent. (Dictionary)

Potential Gross Income (PGI)
The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. (Dictionary)

Replacement Cost
The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion
A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make that claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary)
2. Formerly used in valuation practice as a synonym for *contributory value* or *use value*. (Dictionary)

VTAB (Value of the Total Assets of a Business)

The total amount that the real property, tangible personal property, and intangible property assets of a business would sell for in an asset-based transaction. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

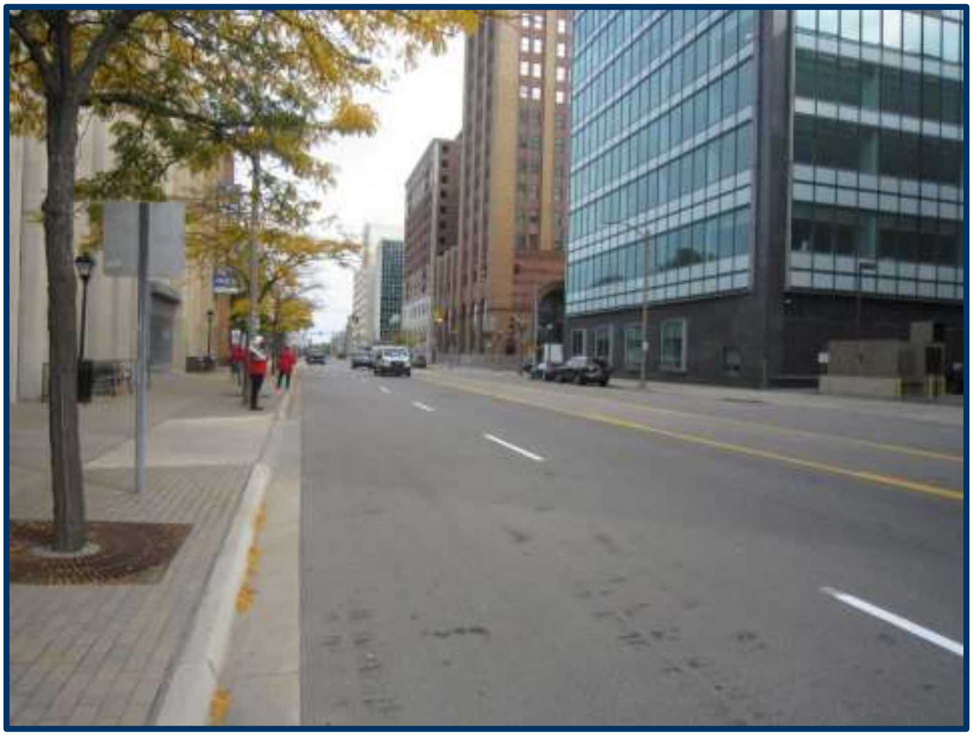
Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas or a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Photographs of Subject Property




SEVERE
WEATHER
SHELTER
AREA

Assessment Records

217 S CAPITOL AVE LANSING, MI 48933 (Property Address)

Parcel Number: 33-01-01-16-328-021

Property Owner: 217 CAPITOL LLC

Summary Information

- Commercial/Industrial Building Summary
  - Yr Built: 1924
  - # of Buildings: 1
  - Total Sq Ft: 109,826
- Property Tax information found
- 16 Invoices Found, Amount Due: 0.00
- Assessed Value: $2,049,500 | Taxable Value: $2,049,500
- 1 Building Department records found

Item 1 of 2 | 1 Image / 1 Sketch

Important Message

2023 values are subject to change by the March Board of Review.

Owner and Taxpayer Information

Owner	217 CAPITOL LLC 124 W ALLEGAN 21ST FLOOR LANSING, MI 48933	**Taxpayer**	SEE OWNER INFORMATION

General Information for Tax Year 2023

Property Class	201 COMMERCIAL-IMPROVED	**Unit**	33 CITY OF LANSING - INGHAM
School District	LANSING PUBLIC SCHOOL DIST	**Assessed Value**	$2,049,500
MAP #	B -0115 -0006	**Taxable Value**	$2,049,500
TOP TEN	*Not Available*	**State Equalized Value**	$2,049,500
NEW PERMITS	*Not Available*	**Date of Last Name Change**	09/13/2021
USER ALPHA 3	*Not Available*	**Notes**	*Not Available*
Historical District	*Not Available*	**Census Block Group**	*Not Available*
TYPE CODE	*Not Available*	**Exemption**	*No Data to Display*

Principal Residence Exemption Information

Homestead Date	12/30/1997

Principal Residence Exemption	June 1st	Final
2023	0.0000 %	0.0000 %

Previous Year Information

Year	MBOR Assessed	Final SEV	Final Taxable
2022	$1,956,300	$1,956,300	$1,956,300
2021	$1,895,300	$1,895,300	$1,895,300
2020	$0	$0	$0

Land Information

Zoning Code	G-1 BUS	**Total Acres**	0.376
Land Value	$163,600	**Land Improvements**	$0
Renaissance Zone	No	**Renaissance Zone Expiration Date**	*No Data to Display*
ECF Neighborhood	0225-DOWNTOWN-OFFICES	**Mortgage Code**	*No Data to Display*
Lot Dimensions/Comments	99.166 x 165 @ 15.00	**Neighborhood Enterprise Zone**	No

Lot(s)	Frontage	Depth
No lots found.		
	Total Frontage: 0.00 ft	**Average Depth: 0.00 ft**

Legal Description

https://bsaonline.com/SiteSearch/SiteSearchDetails?SearchFocus=All+Records&SearchCategory=Address&SearchText=217+cap&uid=384&PageInd… 1/2

LOT 9 & S 33 1/6 FT LOT 10 BLOCK 115 ORIG PLAT

Sale History

Sale Date	Sale Price	Instrument	Grantor	Grantee	Terms of Sale	Liber/Page
07/29/2021	$1,750,000.00	CD	THOMAS M COOLEY LAW SCHOOL	217 CAPITOL LLC	03-ARM'S LENGTH	2021 039169

Building Information - 109826 sq ft Fraternal Buildings (Commercial)

Floor Area	109,826 sq ft	**Estimated TCV**	*Not Available*
Occupancy	Fraternal Buildings	**Class**	C
Stories Above Ground	7	**Average Story Height**	10 ft
Basement Wall Height	*Not Available*	**Identical Units**	*Not Available*
Year Built	1924	**Year Remodeled**	*No Data to Display*
Percent Complete	100%	**Heat**	Steam Radiator without Boiler
Physical Percent Good	40%	**Functional Percent Good**	45%
Economic Percent Good	100%	**Effective Age**	40 yrs

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Excerpts from Zoning Ordinance

CHAPTER 1270. - G-1 BUSINESS DISTRICT

1270.01. - Intent.

The intent of the G-1 Business District is to allow for a general retail commercial district for the downtown area.

(Ord. No. 848, 2-17-92)

1270.02. - Principal uses permitted.

In a G-1 Business District, the following principal uses are permitted:

(a) A comparison retail store;
(b) A private club, fraternal organization or lodge hall;
(c) A restaurant, bar or tavern;
(d) A enclosed theater, assembly hall or concert hall;
(e) A hotel or motel;
(f) A public park and playground, except those regulated by special conditions pursuant to Section 1256.03(g), (h) and (i);
(g) Any principal use permitted in a D-1 Professional Office District;
(h) Any principal use permitted in an E-2 Local Shopping District except an off-street parking facility;
(i) Any other use which, by the decision of the Planning Board, is similar to the principally permitted uses set forth in this section; and
(j) An accessory structure which is customarily incidental to any of the uses permitted by this section.

(Ord. No. 848, 2-17-92)

1270.03. - Uses permitted subject to special conditions.

(a) The uses described in this section shall be permitted in a G-1 Business District if the dimensional requirements described in Section 1248.05, the landscape, screening and buffering requirements described in Chapter 1290, the conditions imposed by this section and all local, State and Federal laws are met.
(b) Any conditional use which is conditionally permitted in the E-2 Local Shopping District as described in Section 1266.03 shall be permitted in a G-1 Business District, if all criteria of Section 1266.03 are met.
(c) A residential use shall be permitted in a G-1 Business District, if the residential use meets the lot

area requirement of the DM-4 Residential District.

(d) An educational facility shall be permitted in a G-1 Business District, if it meets the following conditions:

(1) The lot on which the facility is located has not less than one lot line abutting a principal arterial, as defined in the Comprehensive Plan.

(2) The primary ingress and egress of the educational facility shall be the ingress and egress connected to the principal arterial described in paragraph (d)(1) hereof, except if approval is obtained from the Planning Board after a public hearing held pursuant to the procedures described in Section 1282.02.

(e) A child care facility which meets the following conditions shall be permitted in a G-1 Business District:

(1) The facility shall provide and maintain on the lot not less than 5,000 square feet of open space;

(2) For each child in the facility in excess of 33 children, the facility shall provide and maintain 150 additional square feet of open space.

(f) A functional family which meets all the following conditions shall be permitted in the G-1 Business District:

(1) Not more than five persons per unit shall be allowed.

(2) The square footage of each room area shall meet the minimum requirements of the Building Code.

(3) There is one off-street parking space for each vehicle associated with the members of the functional family, but not less than two off-street parking spaces altogether.

(Ord. No. 848, 2-17-92)

1270.04. - Special land uses.

(a) The uses described in this section shall be permitted by Council in accordance with the procedures and conditions described in Chapter 1282 if the conditions described in this section for each use are met, and if all Federal, State and local laws are met.

(b) A church located on a lot which abuts a collector, principal arterial or minor arterial, as defined in the Comprehensive Plan, may be permitted in the G-1 Business District.

(c) A structure which is used by a governmental entity in a manner similar to any of the principal permitted uses described in Section 1270.02 may be permitted, subject to review by the Planning Board, pursuant to Public Act 285 of 1931, as amended, being M.C.L.A. 125.31 to 125.45.

(d) A structure which is owned or operated by a public utility in a manner similar to any of the principal permitted uses described in Section 1270.02 may be permitted, subject to review by the Planning Board, pursuant to Public Act 285 of 1931, as amended, being M.C.L.A. 125.31 to 125.45.

(e) An experimental, research or development laboratory may be permitted in the G-1 Business

District.

(f) An off-street parking facility may be permitted in the G-1 Business District.

(Ord. No. 735, 11-24-86; Ord. No. 848, 2-17-92)

1270.05. - Height and area requirements.

In a G-1 Business District there shall be no height limitations on structures and no minimum yard dimensions.

(Ord. No. 848, 2-17-92)

Qualifications of Appraisers

James T. Hartman, MAI, SGA, AI-GRS
Senior Managing Director
Valbridge Property Advisors | Southern Michigan

Education:

Bachelor of Arts Degree
College of Business
Financial Administration
Michigan State University, East Lansing, MI

License:

In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909. James T. Hartman is currently licensed as a Certified General Real Estate Appraiser with the State of Michigan, License #1205005950, with the State of Indiana, License #CG40600034, with the State of Ohio, License #2007005970, and with the State of Illinois, License #553.002225.

Real Estate Appraisal Curriculum, Appraisal Institute:

Classes:
Basic Valuation
Real Estate Appraisal Principles
Residential Valuation
Standards of Professional Practice, Part A
Standards of Professional Practice, Part B
Standards of Professional Practice, Part C
Income Capitalization, Part A
Income Capitalization, Part B
Case Studies in Real Estate Valuation
Report Writing and Valuation Analysis
Highest & Best Use and market Analysis
Business Practices and Ethics
7-Hour National USPAP Update Course
Valuation of Conservation Easements
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
Review Theory – General
Supervisory Appraiser/Trainee Course
Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications

Scope of Work: Expanding your Range of Services

Seminars: Demonstration Appraisal Report Writing
Regulation of Financial Information Sharing & Information Brokering
REITS and the Role of the Real Estate Professional
Partial Interest Valuation – Divided
Appraisal Symposium – Real Estate Underwriting
Still Standing – The US Real Estate Market
Michigan Appraising Licensing Law and Rules
Appraisal Consulting: A Solutions Approach for Professionals
Supervising Appraisal Trainees
Land Valuation Adjustments Workshop
Analyzing Distressed Real Estate
Market Analysis and the Site to Do Business
Valuation & Litigations Services SIG Kick-Off – SIG2006
Fair Housing
Introduction to International Valuation Standards
Environmental Solutions for Commercial RE Transactions
Spotlight on USPAP: Common Errors and Issues
Michigan Economy 2009
Appraising Convenience Stores
Michigan Economy 2010
Spotlight on USPAP – Appraisal Review
Analyzing Distressed Real Estate
Spotlight on USPAP: Agreement for Services-Instructions
Loss Prevention program for Real Estate Appraisers
Liability Issues for Appraisers Performing Litigation & Other Non-Lender Work
Small Hotel/Motel Valuation
Government and the Housing Market
Introduction to Green Buildings: Principles & Concepts
Appraising Automobile Dealerships

Other Seminars/Courses:

Historic Preservation Conference: Incentives for Historic Preservation in Detroit - IPED
Michigan Tax Tribunal Contemporary Issues – Oakland University
LEED for New Construction and Major Renovations Technical Review Workshop - USGBC
Understanding the Impact of the Interagency Appraisal and Evaluation Guidelines for Appraisers and Lenders
Advanced Computer Applications for Appraisers – Valbridge Property Advisors
Fractional Interest Valuation – Valbridge Property Advisors

Appraisal Assignments:

Performed a variety of appraisal assignments including appraisals of vacant land, subdivisions, industrial buildings, hotels, golf courses, resorts, shopping centers, bowling/family entertainment centers, manufactured home communities, elderly care facilities, condominium construction and conversion, restaurants, and office buildings.

Counseling Services:

Economic feasibility and market studies for golf courses, hotels, apartments, multi-tenant office buildings, multi-tenant shopping centers and elderly care facilities.

Professional Recognition:

2000-1	Advisory Board, West Michigan Branch, Great Lakes Chapter, Appraisal Institute
2001	Awarded MAI designation by the Appraisal Institute
2002	Vice-Chair, West Michigan Branch, Great Lakes Chapter, Appraisal Institute
2002	Public Relations Committee, Great Lakes Chapter, Appraisal Institute
2002	General Comprehensive Exam Subcommittee, Standard Setting Panel, Appraisal Institute
2003	Chair, West Michigan Branch, Great Lakes Chapter, Appraisal Institute
2003	Region III Representative Alternate, Great Lakes Chapter, Appraisal Institute
2004	Director, Great Lakes Chapter, Appraisal Institute
2004-22	General Comprehensive Exam Subcommittee, Appraisal Institute
2004	Real Estate Appraiser Exam Content Expert, Bureau of Commercial Services
	Department of Labor & Economic Growth, State of Michigan
2006	Secretary, Great Lakes Chapter, Appraisal Institute
2007	Treasurer, Great Lakes Chapter, Appraisal Institute
2008	Awarded SGA designation from The Society of Golf Appraisers
2008	Vice President, Great Lakes Chapter, Appraisal Institute
2008-9	Region III Representative, Great Lakes Chapter, Appraisal Institute
2009	President, Great Lakes Chapter, Appraisal Institute
2009-10	Vice Chair, General Comprehensive Exam Panel, Appraisal Institute
2009	Awarded MRICS designation from the Royal Institution of Chartered Surveyors
2010	Past President (Board of Directors) Great Lakes Chapter, Appraisal Institute
2010	Region III Representative, Great Lakes Chapter, Appraisal Institute
2011-14	Chair, General Comprehensive Exam Panel, Appraisal Institute
2014-15	Secretary, The Society of Golf Appraisers
2014	Awarded AI-GRS designation from Appraisal Institute
2014-22	Member, State of Michigan Board of Real Estate Appraisers
2016-17	President, Society of Golf Appraisers
2015-19	Vice Chair, General Comprehensive Exam Panel, Appraisal Institute
2016-21	Vice Chair, State of Michigan Board of Real Estate Appraisers
2021-22	Chair, State of Michigan Board of Real Estate Appraisers

Q352450

GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
BUREAU OF PROFESSIONAL LICENSING
CERTIFIED GENERAL REAL ESTATE APPRAISER LICENSE

JAMES THOMAS HARTMAN

LICENSE NO.
1205005950

EXPIRATION DATE
07/31/2024

22200040701

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Cameron M. Clark

Appraiser
Valbridge Property Advisors | Southern Michigan

Education:

Central Michigan University
Bachelors of Business Administration

License:

In Michigan, appraisers are required to be licensed/certified and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909. Cameron M. Clark is currently licensed as a Certified General Real Estate Appraiser with the State of Michigan, License #1205075247.

Appraisal Assignments:

A variety of appraisal assignments including appraisals of residential, commercial, industrial, and mixed use properties for federally related mortgage transactions, private estates, and tax purposes.

Types of Assignments:

Single Family Residences	Apartments
2-4 Family Residences	Assisted Living Facilities
Convenience Stores/Gas Stations	Golf Courses
Industrial/Warehouse	Hotels/Motels
Office Buildings	Retail Buildings
Residential Subdivisions	Shopping Centers
Vacant Land	Going Concern

GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
BUREAU OF PROFESSIONAL LICENSING
CERTIFIED GENERAL REAL ESTATE APPRAISER LICENSE

CAMERON MCKAY CLARK

LICENSE NO:	EXPIRATION DATE		
1205075247	07/31/2024	22206170758	THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN

Valbridge PROPERTY ADVISORS

FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent commercial property valuation and advisory service firm in North America.
  - Total number of MAI-designated appraisers (200+ on staff)
  - Total number of office locations (80+ across the U.S.)
  - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge specializes in appraising all types of real property.
- Valbridge provides independent valuation services. We are NOT owned by a brokerage firm or investment company.
- Every Valbridge office is overseen by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by local offices.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market, and other bulk-property engagements.

Valbridge Property Advisors, Inc.
2240 Venetian Court
Naples, FL 34109
Phone: 888.981.2029

valbridge.com

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(205) 440-2998

4732 Woodmere Blvd.
Montgomery, AL 36106
(334) 277-5077

ARIZONA

6061 E. Grant Rd.
Tuscon, AZ 85712
(520) 321-0000

CALIFORNIA

4915 Calloway Dr., Ste. 101
Bakersfield, CA 93312
(661) 587-1010

1306 Higuera St.
San Luis Obispo, CA 93401
(805) 544-2472

2813 Coffee Rd., Ste. E-2
Modesto, CA 95355
(209) 569-0450

825 Colorado Blvd., Ste. 243
Los Angeles, CA 90041
(626) 486-9327

1370 N. Brea Blvd., Ste. 255
Fullerton, CA 92835
(714) 449-0852

99 S. Lake Ave., Ste. 21
Pasadena, CA 91101
(626) 744-0428

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Sacramento, CA 95872
(916) 361-2509

55 South Market St., Ste. 1210
San Jose, CA 95113
(408) 279-1520

3160 Crow Canyon Pl.
San Ramon, CA 94583
(925) 327-1660

COLORADO

23272 Two Rivers Rd., Ste. 101
Basalt, CO 81621
(970) 340-1016

COLORADO (CONT'D)

5345 Arapahoe Ave., Ste. 7
Boulder, CO 80303
(303) 867-1935

7445 E. Peakview Ave.
Centennial, CO 80111
(303) 867-1933

1099 Main Avenue, Ste. 311
Durango, CO 81301
(970) 340-1016

CONNECTICUT

17 Covewood Dr.
Norwalk, CT 06853
(860) 246-4606

15 Concord St.
Glastonbury, CT 06033
(860) 246-4606

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Jacksonville, FL 32223
(904) 608-2948

301 Almeria Ave., Ste. 350
Coral Gables, FL 33134
(305) 639-8029

734 Rugby St.
Orlando, FL 32804
(407) 493-6426

2711 Poinsettia Ave.
West Palm Beach, FL 33407
(561) 833-5331

2240 Venetian Ct.
Naples, FL 34109
(239) 514-4646

2601 West Horatio St. Unit 6
Tampa, FL 33609
(321) 228-6488

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2675 Paces Ferry Rd., Ste. 145
Atlanta, GA 30339
(404) 354-2331

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1875 N. Lakewood Dr., Ste. 100
Coeur d'Alene, ID 83814
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Boise, ID 83706
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Chicago, IL 60661
(312) 429-0132

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CORPORATE OFFICE

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Each Valbridge office is independently owned and operated.

valbridge.com

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6490 S. McCarran Blvd., #51
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Morris Plains, NJ 07950
(973) 970-9333

3500 Route 9 South, Ste. 202
Howell, NJ 07731
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325 West 38th St. Ste. 702
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5950 Fairview Rd., Ste. 405
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Cary, NC 27511
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11 Cleveland Ct.
Greenville, SC 29607
(864) 233-6277

920 Bay St., Ste. 26
Beaufort, SC 29902
(843) 884-1266

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213 Fox Rd.
Knoxville, TN 37922
(865) 522-2424

756 Ridge Lake Blvd., Ste. 225
Memphis, TN 38120
(901) 753-6977

5205 Maryland Way, Ste. 300
Brentwood, TN 37027
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2731 81st St.
Lubbock, TX 79423
(806) 744-1188

901 Mopac Expy. S., Bldg. 1, Ste. 300
Austin, TX 78746
(737) 242-8585

10210 North Central Expy., Ste. 115
Dallas, TX 75231
(214) 446-1611

974 Campbell Rd., Ste. 204
Houston, TX 77024
(713) 467-5858

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9901 IH-10 West, Ste. 1035
San Antonio, TX 78230
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527 E. Pioneer Rd., Ste. 240
Draper, Utah 84020
(801) 262-3388

20 North Main
St. George, UT 84770
(435) 773-6300

321 N. County Blvd., Ste. D
American Fork, UT 84003
(801) 492-0000

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656 Independence Pkwy., Ste. 220
Chesapeake, VA 23320
(757) 410-1222

4914 Fitzhugh Ave.
Richmond, VA 23230
(757) 345-0010

5107 Center St., Ste. 2B
Williamsburg, VA 23188
(757) 345-0010

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8378 W. Grandridge Blvd., Ste. 110-D
Kennewick, WA 99336
(509) 221-1540

25923 Washington Blvd., NE., Ste. 300
Kingston, WA 98346
(360) 649-7300

324 N. Mullan Rd.
Spokane Valley, WA 99206
(509) 747-0999

WISCONSIN
12660 W. North Ave.
Brookfield, WI 53005
(262) 782-7990

Resolution #2024-
By the Committee of the Whole
Resolved by the City Council of the City of Lansing

Act-1-2024, Purchase of Property, 217 S. Capitol Ave.

WHEREAS, the City of Lansing, has requested to acquire from 217 Capitol, LLC, a parcel of land located in downtown at 217 S. Capitol Ave., Lansing, MI 48933, and commonly known as the Masonic Temple (the “Property”), to facilitate its renovation into the new Lansing City Hall; and

WHEREAS, the property is currently unoccupied and improved with a single structure containing approximately 110,000 square feet of interior space; and

WHEREAS, the City would also acquire a Visibility Easement on the parcel directly to the north of the Property, from 217 Capitol, LLC; and

WHEREAS, an appraisal was made prior to negotiations beginning with the purchaser, which appraisal returned a fair market value of Three Million Six Hundred Fifty Thousand Dollars ($3,650,000.00) as of October 5, 2023; and

WHEREAS, the agreed upon purchase price for the Property and Visibility Easement is not-to-exceed Five Million Dollars ($5,000,000.00) plus closing costs; and

WHEREAS, on January __, 2024, the Planning Commission reviewed the location, character, and extent of the proposal in accordance with its Act 33 Review procedure, and voted _____ to recommend approval of Act-1-2024, Purchase of Property, 217 S. Capitol Ave.; and

WHEREAS, the Committee on Development and Planning has reviewed the report and recommendation of the Planning Commission and concurs therewith.

NOW THEREFORE BE IT RESOLVED, the Lansing City Council hereby approves Act-1-2024, and approves the purchase of property legally described as:

> The South 52 feet of Lot 9; the North 14 feet of Lot 9, and the South 33 1/6 feet of Lot 10, block 115, Original Plat, City of Lansing, Ingham County, Michigan, according to the Plat thereof, as recorded in Liber 2 of Plats, Page 36 Ingham County Records.

from 217 Capitol, LLC, along with a Visibility Easement on the parcel to the north, legally described as:

> The North 32 5/6 feet of Lot 10, and the South 21 feet of Lot 11, block 115, Original Plat, City of Lansing, Ingham County, Michigan, according to the Plat thereof, as recorded in Liber 2 of Plats, Page 36 Ingham County Records.

for a combined sum not-to-exceed Five Million Dollars ($5,000,000.00), plus closing costs.

BE IT FINALLY RESOLVED, that the Mayor, on behalf of the City, is authorized to execute all documents necessary to complete this transaction, subject to the prior approval as to content and form by the City Attorney.