

cityofnovi.org

CITY of NOVI CITY COUNCIL

Agenda Item 2
February 25, 2008

SUBJECT Resolution of Economic Development Corporation Reorganization and AdHoc Committee Creation

SUBMITTING DEPARTMENT: Neighborhood & Business Relations Group

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

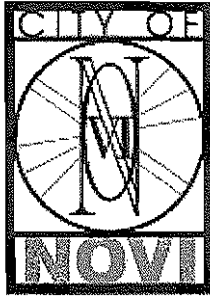
Following the City Council's direction in adopting the 2008 Economic Development Goals on January 7th, this included a reference to direction for City Staff and the City Attorney to "look into winding down the EDC responsibilities" the following outline is proposed as a way for the City to transition away from reliance on the Economic Development Corporation (EDC) for the formal public participation and support of the City's economic development/business attraction work.

Under the memo attached, the City will constitute *ad hoc* groups focusing on particular projects as the need arises, with specific mandates and timeframes. These *ad hoc* committee members would include both existing EDC members, local business leaders, and other stakeholders (whether residents or not) within the City of Novi.

RECOMMENDED ACTION: Adopt the recommendations as outlined in memo by Economic Development Manager and City Attorney.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Capello				
Council Member Crawford				
Council Member Gatt				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				



TO: CLAY J. PEARSON
FROM: ARA TOPOUZIAN, ECONOMIC DEVELOPMENT MANAGER *AT*
SUBJECT: EDC REORGANIZATION PLAN
DATE: FEBRUARY 25, 2008

The City Council's 2008 Economic Development Goals adopted on January 7, this included a reference to direction for City Staff and the City Attorney to *"look into winding down the EDC responsibilities."* Staff has discussed transitioning away from reliance on the Economic Development Corporation (EDC) for the formal public participation and support of the City's economic development/business attraction work. Under the proposal that follows, the City will constitute *ad hoc* groups focusing on particular projects as the need arises, with specific mandates and timeframes. These *ad hoc* committee members would include both existing EDC members, local business leaders, and other stakeholders (whether residents or not) within the City of Novi.

EDC - For the reasons that have been previously outlined to Council, the Novi EDC would continue as a formal City group, because of statutory requirements as outlined in Mr. Schultz's accompanying memo and the need to oversee the last remaining industrial revenue bond (West Oaks II), which expires in 2011. While regular monthly EDC meetings would no longer take place, there would be at least an annual meeting to approval the EDC financial report. The state statute for economic development corporations requires nine members, of which up to three can be City staff members. The scaled-back nature and limited obligations of the EDC should be noted to any citizen volunteers stepping forward for this group, so as to not cause any unclear expectations. The City should take advantage of having three of the nine members be City staff members (e.g., Cindy Uglow, Pam Antil, and me) as openings arise to reduce the need to recruit citizens-at-large for this limited mission.

The following *ad hoc* committees would operate within the 2008-09 year:

Business Assistance Team (BAT) – Already a successful format under the leadership of Cindy Uglow, additional members would be added in order to broaden the scope of their assistance to the small business community. Other communities such as Rochester Hills, Royal Oak, Berkley, Wixom have similar programs and have used them to great success. Specific assignments might include holding workshops that focus on increased small business needs and gathering specialized groups of business owners to discuss certain aspects of needed assistance common to all. These

specialized groups (4 to 5 members consisting of executives within the community sharing best practices) could also provide opportunities for leadership networking groups and sharing “best practices.” Members would be assigned to specific teams by a team leader identified by staff. Groups include local business owners, and representatives from SCORE and Oakland County. Twelve BAT visits per quarter are targeted. Past BAT visits have not instituted measurable goals to determine success of visits, other than surveys, which have been favorable. The group would discuss future measurable elements so that visits are targeted and productive. (*Staff Liaison: Cindy Uglow*)

Business Recognition Program – Recognizing members of the business community for their hard work and dedication is very important. This group would establish recognition criteria, including things such as length of time in the area, community service, etc. for both small and large businesses within the city and would hold an annual recognition reception with an award ceremony involving the Mayor and City Council. This group would have five (5) individuals/entrepreneurs along with input from both local Chambers of Commerce and would actively seek nominations from within the community, establish award criteria, and coordinate a reception. While these sorts of recognition programs are commonplace among civic associations and larger chambers, it is not a typical endeavor for a city, and would therefore be somewhat unique for us. (*Staff liaisons: Ara Topouzian/Cindy Uglow*)

I-96 Corridor Study -- The ultimate goal of the I-96 Corridor Study is to establish the framework to really announce that area as a gateway into the City of Novi. The boundaries for this study would extend along the I-96 freeway from Farmington Hills to Wixom. Key partners for this study would include Michigan Department of Transportation (MDOT), the Road Commission for Oakland County (RCOC), Twelve Oaks Mall, the Rock Financial Showplace, St. Johns/Providence, and other major property owners in the area (e.g., owners of the former Novi Expo Center, Comau Pico, etc.). In partnership with various city staff departments (Community Development, Engineering), this group would investigate potential economic development (and redevelopment) tools that would assist in enhancing the beautification of the gateways, potential funding sources, and marketing of the finished study as an attraction tool. To accomplish this goal, the study should include an inventory and analysis of existing conditions, investment in public infrastructure, partnering with the City of Wixom, and a general framework of a conceptual plan for what the corridor can and should look like. A completed framework for the City Council’s consideration would be ready by December 31, 2008. (*Staff Liaison: Ara Topouzian*)

c: Cindy Uglow
Tom Schultz
Pam Antil
Steve Rumble

MEMORANDUM

To: Clay J. Pearson, City Manager
From: Thomas R. Schultz, City Attorney
Re: *Continuation of Economic Development Corporation*
Date: February 13, 2008

You asked our office to address the question whether the Novi Economic Development Corporation (EDC) can at this time be dissolved or otherwise limited in operation, and if so, what the legal method for doing so is, as well as any legal ramifications of doing so.

There are a couple of facts that are particularly relevant to the question. The first is that the EDC still has one outstanding bond. It was initially issued in connection with the West Oaks II development in the amount of \$5 Million. It expires on January 1, 2011. It is not a general obligation of the EDC. As you know, the EDC has no taxation authority. Bonds issued by the EDC are actually “managed” by others (a trustee or other depository). The bonds are paid back through payments made by the lessee (here, West Oaks Development Company) for whom they were issued.

The other relevant fact relates to the EDC’s assets, which as of the last audit (June 30, 2007) consisted of cash totaling \$30,859, plus the “Novi Special” race car.

Bond counsel has suggested that it is inadvisable for the City to dissolve the EDC while the bonds are outstanding, noting that, while there is nothing the EDC really has to do to administer the bonds as a practical matter, it is always possible that there may be some amendments or post-closing action in connection with the bonds. It would be problematic for the issuing entity to be unavailable to perform any necessary functions in this regard. We have pointed out that, while it may be possible under the statute that the City has the authority to dissolve the EDC even though the bond has not expired (see MCL 125.1633),¹ we also advise that the City not do so, for these reasons indicated by bond counsel.

This recommendation is also based upon the fact that there is no particular obligation for the EDC to meet on a regular basis, as it has been lately. The EDC statute does not require an annual meeting, nor do the Novi EDC’s Articles of Incorporation or the Bylaws. The Bylaws indicate in particular that

¹ The language of the statute is actually somewhat vague. MCL 125.1633(1) on its face appears to allow dissolution of the corporation by resolution of a 2/3 majority of the EDC Board of Directors, with approval by a majority of Council. MCL 125.1633(2) describes a dissolution process by way of referendum election. In subsection (2) there is language that talks about the corporation remaining in existence only for “the purpose” of carrying out its obligations under any contracts or bonds. It is not clear if the language applies to a dissolution under subsection (1).

“meetings of the Board may be called by or at the request of the Chief Executive Officer of the Board or any two Directors.” (Article II, §5)

There has been some discussion about reducing the members of the board. However, nine members are required both by statute (MCL 125.1604[2]) and the Articles of Incorporation (Article VII). However, pursuant to both provisions, up to three members may be employees of the City.

The final question you asked was, if the corporation were to dissolve, what would happen to the assets? MCL 125.1624 provides:

Any net earnings of the corporation beyond that necessary for the retirement of indebtedness or to implement the public purposes or program of a municipality may not inure to the benefit of a person other than the municipality and, upon dissolution of the corporation shall belong to the municipality. Upon dissolution of the corporation entitled to all property owned by the corporation, subject to existing rights and other parties, shall vest in the municipality.

I trust this responds to your inquiries. If you have any questions regarding the above, please call me.

**RESOLUTION ESTABLISHING AD HOC ECONOMIC
DEVELOPMENT, BUSINESS ASSISTANCE, AND
BUSINESS RECOGNITION PROCEDURES**

City of Novi
County of Oakland, Michigan

Minutes of a _____ Meeting of the City Council of the City of
Novi, County of Oakland, Michigan, held in the City Hall in said City on _____,
2008, at _____ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____
_____ and supported by Councilmember _____.

WHEREAS, the City of Novi has enjoyed a sustained period of economic growth
and prosperity and is committed to further quality growth and diversity of the tax base,
and

WHEREAS, and in order to continue building upon that success the City of Novi
has accepted the City Manager's recommendations from January 2007 to create an
Economic Development Manager position whose functions and duties include the
responsibility for the coordination of the City's economic development efforts for larger
firms, corporations, and area employers.

WHEREAS, the same recommendations from January 2007 also provide for the
role of the City of Novi's Neighborhood and Small Business Manager position has been

created to coordinate neighborhood efforts and work as an advocate for the small business community.

WHEREAS, by virtue of the addition and/or expansion of these administrative functions, the City of Novi's direct efforts at economic development, business assistance, and business recognition has changed accordingly; and

WHEREAS, the Economic Development Corporation of the City of Novi, formerly a participant in aspects of such activities, has reduced its role accordingly; and

WHEREAS, the City Council wishes to acknowledge the updates to accountabilities and focus in an appropriate manner;

NOW, THEREFORE, BE IT RESOLVED, as follows:

1. The City Council hereby acknowledges receipt of the February ____, 2008 Staff Report and City Manager recommendations for the establishment and/or continuation of various activities to further the City's continued successful economic development goals and objectives, including, and wishes to confirm the framework for such activities:

a. **Business Assistance Team (BAT).** Membership of this group is to be determined by the City administration, which shall also define its tasks and methods of operation. City administration shall report on the activities of the group as and when appropriate;

b. **Business Recognition Program (BRP).** This group shall be established for the purposes of recognizing members of the business community for their hard work and dedication to activities further the interest or bolster the image of the City of Novi. Membership of the group shall be established by the City Manager in

consultation with the Economic Development Manager, and may include members of the Economic Development Corporation, City Staff, and local business or property owners and residents. The group shall meet as and when appropriate, with the intention of establishing an annual recognition dinner for Novi business and business leaders. The City administration shall report to the Council on the activities of this group as and when appropriate.

c. **I-96 Corridor Study Group.** This group shall be established at a future date to investigate potential economic development and redevelopment tools that would assist in enhancing the beautification of the I-96 corridor (from Farmington Hills to Wixom). Membership shall be established by the City Council in consultation with the Economic Development Manager, and may include members of the Economic Development Corporation, City Staff, and local business or property owners and residents. In addition, representatives of the Michigan Department of Transportation (MDOT) and the Road Commission for Oakland County (RCOC) shall be invited to be members. The ultimate goal of this group shall be to prepare a report or study that contains, for example, an analysis of existing conditions, possible improvements, potential funding sources, and a conceptual plan. The impetus to formalize this group shall be deliberations on the City of Novi's Fiscal Year 2008/09 Budget which will include recommendations for City of Novi seed money to explore this study.

2. City Council also recognizes the reduced role of the City of Novi's Economic Development Corporation as a separate entity, given its limited financial resources and changes over time in the laws relating to its activities and other economic development opportunities. The Economic Development Corporation will be expected

to formally continue in existence until the last EDC bond has been repaid in 2011. The City does not expect the EDC to meet regularly, though its members are anticipated to be involved in the *ad hoc* efforts described in Paragraph 1, Subsections a-c, above.

AYES: Councilmembers _____

NAYES: Councilmembers _____

RESOLUTION DECLARED ADOPTED.

MARYANNE CORNELIUS, City Clerk

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the City Council of the City of Novi at _____ meeting held this _____ day of _____, 2008.

MARYANNE CORNELIUS, City Clerk

1040147