

**STUDY SESSION AGENDA**  
May 13, 2003 – 7:30 PM  
Council Board Room of Troy City Hall  
500 West Big Beaver,  
Troy, Michigan 48084  
(248) 524-3317

**CALL TO ORDER**

**ROLL CALL**

Mayor Matt Pryor  
Robin Beltramini  
Cristina Broomfield  
David Eisenbacher

Martin F. Howrylak  
David A. Lambert  
Jeanne M. Stine

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1 Discussion of Civic Center Financing Options

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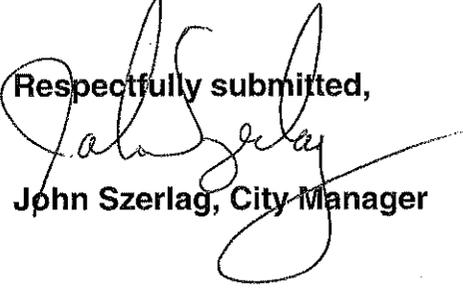
**BREAK**

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**PUBLIC COMMENT**

**ADJOURN**

Respectfully submitted,

  
John Szerlag, City Manager

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**NOTICE:** People with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk at (248) 524-3316 or via e-mail at [clerk@ci.troy.mi.us](mailto:clerk@ci.troy.mi.us) <<mailto:clerk@ci.troy.mi.us>> at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.

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*Previously submitted in Agenda packet of 4-28-03*

April 24, 2003

TO: The Honorable Mayor and City Council

FROM: John Szerlag, City Manager

SUBJECT: Letters of Intent from Developers Regarding Civic Center  
Site plan Elements

**Executive Summary:**

Development of Civic Center site plan elements identified as desirable by City Council is feasible. In addition, financing thereof needs to incorporate a public/private partnership. This can be accomplished in the form of tax-exempt financing in tandem with other funding mechanisms such as a Municipal Building Authority or a 6320 financing plan.

**Background:**

Staff members copied below as well as DDA chair Al Kiriluk met with a short list of developers to gauge the interest of the development community to participate in a public/private partnership for urban components, which were identified by City Council. Attachment #1 is the letter sent to developers and served as a guide for our table discussions. Of course, this memorandum is commensurate to the parameters set by City Council via resolution relative to Civic Center site plan elements and other conditions. All in all, we met or had conference calls with representatives of the following corporations:

Acquest Realty and Management  
Frankel Associates  
Garfield Traub Development  
Hines  
Liberty Property Trust  
Marriott Corporation

All of these developers wished to have their comments confidential, and I indicated their requests would be honored in terms of not delineating specific comments to specific corporations.

However, I did mention that I would be providing the gist of comments provided to me while not giving anyone credit for making that comment. And this was acceptable to the individuals we spoke with.

Letters of Intent from Developers Regarding  
Civic Center Site plan Elements  
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All six developers responded to our request for a letter of intent. And, a majority of them would submit an RFP if financing could be structured via tax-exempt bonds or some other mechanism as outlined above. Additionally, some developers expressed a concern about the size and/or configuration of the 11-acre footprint to house site plan elements advanced by City Council, but these concerns would be mitigated if the performing arts center was taken out of the equation.

One developer believes it is not in the community's best interest to pursue this development.

**Next Steps:**

Given the complexity of financing mechanisms that could be involved with this project, I recommend a study session be set with Mr. Bob Bendzinski, our financial advisor. In addition, Mr. Joel Piell of Miller, Canfield, Paddock and Stone would also attend for reason of explaining the 6320 financing mechanism. Please know that Mr. Piell has direct experience with hotel/convention financing in the State of Michigan. His firm structured the Bay City project.

Proposed dates for the study session are May 27, June 10 or June 30. Of course, this would be an interim step prior to having an election asking the residents if they would give the authority to the City to sell property for this project.

As always, please feel free to call me should you have any questions.

JS/mr\AGENDA ITEMS\2003\04.28.03 - Results of Meeting with Developers

Lori Grigg Bluhm, City Attorney  
John M. Lamerato, Assistant City Manager/Finance & Administration\*  
Nino Licari, City Assessor  
Gary Shripka, Assistant City Manager/Services\*  
Douglas Smith, Real Estate & Development Director\*\*  
John Szerlag, City Manager\*\*

\* Met with developers on March 6

\*\* Also met with Mr. Frankel and had conference call with Garfield Traub

February 24, 2003

**David Ong**  
ACQUEST REALTY & MANAGEMENT  
40701 Woodward Avenue, Suite #100  
Bloomfield Hills, MI 48304

Regarding: Letter of Intent; Troy, Michigan  
Civic Center Development

Dear Mr. Ong:

The City of Troy is seeking letters of intent to gauge the interest of the development community to participate in a public/private partnership for urban components identified below. The parameters and contingencies by which the Troy City Council wishes to engage with the private sector for such a development follow:

- 1) The City of Troy Civic Center property consists of approximately 124 acres, and proposes to set aside up to 11 acres in the southeast quadrant of this site for development of the following:
  - a. A conference center with a size up to 200,000 square feet being acceptable and 125,000 to 150,000 square feet being preferable.
  - b. A hotel with a 500-room facility being acceptable and a 350-room facility being preferable.
  - c. A performing arts theater limited to 2,500 seats.
  - d. Amenity retail up to 6,000 square feet.
  - e. Up to three (3) full-service restaurants.

**David Ong**  
ACQUEST REALTY & MANAGEMENT  
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It's important to note that roughly four (4) acres of the proposed allocated 11 acres to house the above components is currently owned by the City of Troy Employees' Retirement Board. This Board is autonomous and would have to sell this property at a fair market rate. Additionally, this property houses the structure where Mr. Minoru Yamasaki designed the World Trade Center in New York. And City Council would prefer incorporation of all or part of the Yamasaki building into the proposed new development.

While not currently owned by the City of Troy or Troy Downtown Development Authority, it is assumed that at some future point the roughly four (4) acres owned by the Retirement Board will become part of the development site. As such, a vote of the residents will be held at a regularly scheduled election asking whether the City can sell public acreage for aforementioned development purposes.

It also needs to be noted that the City is not seeking design concepts at this time.

- 2) There are also economic contingencies, which underpin the feasibility of such a development. They follow:
  - a. State of Michigan funding, most likely through the Michigan Economic Development Corporation (MEDC), is approximately \$40 million for construction of a conference center and other urban site elements.
  - b. A minimum of \$1 million for construction of a conference center and other elements from Oakland County.

Summary of Letters of Intent - Troy Civic Center Site Development  
March 2003

Developer	Is there interest in responding to an RFP?	Land/Space Issues	Project Scope Issues	Financial Issues/Concerns	Other notes
1	Yes (conditional)	Keep an open mind to modifying the L-shape as such inflexibility could materially impact the element of physical feasibility & design efficiency		Possible investment structure that would combine the development & ownership of the hotel/conf ctr under a special, single-purpose, not-for-profit entity eligible to issue tax-exempt bonds w/out involving any credit exposure by the City of Troy; presumption: MEDC funding up to \$40M serving as equity for bond purchasers.	This firm wishes to be the project manager, not the developer.
2	Yes (conditional)		Recommended Scope: *125,000 sq ft Conf Ctr & a Performing Arts Theater with seating not to exceed 2,500 *350 Room Convention Center Headquarter Hotel, with two full-service restaurants *Supporting retail space to be determined upon further investigation	Public-private partnership is mentioned as the financing method	
3	No	Is the available land driving the development or is there a predetermined need for such a project?		*What is the realistic pro-forma as to use, economic impact, assumption of operating deficits, long-term management beyond the 2009 opening? * How are operating deficits to be handled after 2009 if they occur?	The long-term perspective is the basis for lack of interest. The outlined time frame has the opening in 2009 – too hard to predict the business environment, cultural environment, nor the tax environment at that time. Also, poses the following questions: *If a new convention site is to be built on the site of the Silverdome, what are the ramifications to the City of Troy, particularly if it occurs after construction? *What is the impact of such a development on existing City assets?

Developer	Is there interest in responding to an RFP?	Land/Space Issues	Project Scope Issues	Financial Issues/Concerns	Other notes
4	Yes <i>(conditional)</i>	Do not think the site is of sufficient size to accommodate the entire program if parking needs are included; eliminating the Perf Arts Ctr could free up space	<i>Also, see land/space issues</i>	Re: Convention Center, if the City's objective is for the developer to assume operating risk, you should consider a public/private partnership in which the risks & rewards of operation are appropriately shared by the partnership	Modify the plan including possibly relocating the hotel onto the parcel fronting Big Beaver Road.
5	Yes		Conditions set by project manager		
6	Yes <i>(conditional)</i>		Conference Center may be too large without current feasibility study.	<p>Finds that the only way to capitalize these types of facilities in today's economy is to borrow on a tax-exempt basis, which requires a public corporation (either the City or a specially designated corporation that is exclusively controlled by and "owned" by the city) to own these assets.</p> <p>Reasons for lack of interest:</p> <ul style="list-style-type: none"> <li>*The lack of continued financial commitment by the city of some form would, in our view, make financing for this project in its totality unfeasible.</li> <li>*The amount of the initial contribution for the entire project, by itself, is not sufficient to capitalize the project using the form of public ownership described above.</li> </ul>	<p>Would be interested in responding to an RFP if the following modifications were made: *Flexibility by the City to financially support on an ongoing basis the operations of the activities. This amount would be determined once reliable information has been secured and could take the form of either guarantees or a commitment of tax revenues to a portion of the debt that would be created for the project and/or a contingent to pledge to support a 2<sup>nd</sup> mortgage from hotel occupancy tax or some other non-general obligation source, to enable sale of the financing.</p> <ul style="list-style-type: none"> <li>*Consideration should be given to phasing the project with the Performing Arts Theater developed in a subsequent phase.</li> <li>*There should be a careful look at the programming and size of the performing arts theater.</li> <li>*With the modifications noted above, this project could be very well financed and developed in a relatively short period of time.</li> </ul>

