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The Misleading East Lansing ?News? Funded by Tax Dollars

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By:

Alice Dreger, Publisher



I find myself stunned to read the combination of this week?s City Council agenda [2] and the City?s most recent e-Dialog newsletter [3]. Why? Because it appears that the City of East Lansing is using our tax dollars to produce ?news? that is just downright deceptive.

What?s up?

On Friday, because of ELi's weekly agenda-checking, we learned that Council plans on Tuesday to vote on a change ^[4] to the Center City District deal.

Center City is the controversial public-private partnership that has leased the City's most lucrative property ? Parking Lot 1 ? to private developers for 49 years. Council's decision to lease that land rather than sell it meant they could make the deal without the voters' consent.

The redevelopment is resulting in new construction along Grand River Avenue, with Target and the mostly student Landmark apartments above that. Along Albert Avenue (behind Target), the project adds the new City parking garage, private retail space, and private 55+ rental apartments.

Because the City is supposed to get paid \$200,000 per year for the developers' long-term use of Lot 1, when the first part of the redevelopment opened two months ago, I started asking when the ground lease would officially begin. I wanted to know when we would finally start seeing the ground lease money for Lot 1 come into the City's coffers.

As I explained in a special report ^[5] in July, the lease deal signed by the City is murky. It doesn't reflect how the project has actually played out.

Now, on Tuesday, the Council has a Development Agreement amendment before it to clarify that contract so the City can start getting paid.

That's good news for taxpayers ? although I have to wonder if the contract amendment is happening only because I've spent two months pushing for answers. (The last time the Center City deal was amended, it happened after similar investigative news tracking ^[6].)

But here's the curious thing: The City *knew* this contract amendment would be on Tuesday's agenda ? lead developer Mark Bell has already signed it ? yet the City's e-Dialog on Friday said nothing about it. Friday's e-Dialog *did* celebrate Center City as a "transformational" project for East Lansing.

Yet several points in that article stood out as misleading and possibly downright deceptive.

Here are the City's representations versus what we know from ELi tracking this deal.

The City's claim: "This \$125 million project has diversified East Lansing's housing stock, while also significantly increasing the number of people ? both students and 55+ active adults ? living in the downtown."

The facts: The 55+ housing, called Newman Lofts, still has not opened. Only the student housing has opened. "Active senior housing" is what the Council wanted and approved, but we don't yet know that it will succeed.

When last we heard from the developers about how many of the 92 apartments in Newman Lofts had signed leases, they said about 5. The developers have explained that seniors want to see finished apartments before they rent. That makes sense.

But it is certainly *not* the case, as the City's "news" is implying, that the project has already succeeded in increasing the number of 55+ active adults living downtown. Whether many seniors will want to pay upwards of \$2,000 a month to rent there remains to be seen.

The City's claim: New taxes from the project will be used in a Tax Increment Financing (TIF) deal to pay for "the new public parking garage, underground utility upgrades and public space improvements."

The facts: Yes, those things are being paid for. But as our investigative reporting has shown using the Freedom of Information Act, new taxes from the project are *also* being used to pay the developer's lawyer [7], pay the developer's financial advisor [7], pay for private construction costs on the Grand River Avenue building [8] (including demolition, excavation, and foundation work), and pay an "origination fee" to developer Mark Bell's father [7].

The City's claim: "that financing will be paid back to the developer over the course of 30 years by a portion of the new taxes generated by the project."

The facts: This TIF involves a 100 percent capture of eligible local taxes. Yes, the TIF will not be capturing taxes that are by law *not allowed to be captured*, such as certain school taxes. But to suggest this is a TIF that only requires a "portion" of new taxes to be captured is frankly deceptive.

The 30 years of this TIF will divert \$56 million in new local taxes to pay for this project. That's not just taxes directed away from the City's general fund. It's taxes diverted from the Capital Area Transportation Authority (CATA), Lansing Community College (LCC), the East Lansing Public Library, Ingham County, the Lansing airport, and more.

The City's claim: East Lansing will see "an additional \$29,300 in Downtown Development Authority millage funds" each year.

The facts: The final deal actually provides that those DDA millage funds will go to the developers for the financing reimbursement. The signed bond Trust Indenture [9] says this plainly.

Originally the plan was *not* to channel away the DDA millage revenue for 30 years. But a revision to the plan in December 2017 [10] meant that the Trust Indenture promises that "In addition to the Tax Increment Revenues" the Bonds shall also be payable from the DDA Revenues."

Why does that last bit matter? A major reason some City Council members agreed to the Center City deal was because they believed the new revenue amounts coming into the City would be enough to pay for City services that the project would use up each year.

In other words, they expected that if Center City was going to give the City of East Lansing no new property taxes for 30 years while the rest of us are paying all of our property taxes into the usual authorities, at least *other* revenue Center City generated would help carry its weight.

But a rosier-than-justified image of the Center City deal has now been distributed to taxpayers and voters "using your tax money."

And you know what? We've noticed that somehow all the errors or slants in the City's news make City leaders look good. In other words, misrepresentations in the City's news productions don't seem to be random errors.

If you believe in the independent reporting we are doing at ELi, know that we will keep working for you to tell you where your taxes are going, with hard-hitting investigative reporting.

If you are fortunate enough to have the capacity to support our efforts to keep tabs on our local government, please do so right now [11].

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