

Tech park taking shape after wait

By Gerald Frawley
staff writer

The technology center has had a tumultuous history. Heralded as the cornerstone of the 1,800-acre Oakland Technology Park, the Chrysler Technology Center has been the subject of huge government subsidies for roads, massive incentive packages and lawsuits.

Now, more than three years after breaking ground, the framework for the company's billion dollar investment in the future is standing.

Chrysler purchased the property in December 1984 from Oakland University and announced intentions to build a \$500 million, 500-acre technology center with an adjacent auto supplier park.

Chrysler paid \$12,000 an acre for the first 39 acres, and "one dollar and other valuable considerations" for the remaining 469 acres. Real estate experts have estimated Chrysler paid \$40,000 an acre for the remaining land — or \$18.8 million for property that is worth over \$60 million today.

To help pay for public improvements in the Oakland Technology Park, Auburn Hills approved a Tax Increment Financing (TIFA) district in January 1985 that would divert half of the unabated taxes to public improvements.

Both Avondale and Pontiac schools, from which the tax revenues would be diverted, threatened lawsuits against the TIFA's creation.

NEARLY A YEAR after purchasing the property, Chrysler announced in October 1985 it would not build the proposed technology center without extensive improvements to I-75, M-59, county and local road networks.

Chrysler officials said they planned to begin work in the spring of 1986, but not unless it received government commitments — estimated at nearly \$100 million — for improvements.

Road improvements, Chrysler argued, are a normal corporate function. Officials also stressed that Manda Motors' Flat Rock plant received large outlays of public funds for infrastructure and incentives.

What road improvements should be made — and how and who should pay for them would be one of the key stumbling blocks.

In November 1985, Chrysler received rezoning for the site to allow up 8 million square feet of technical/office development, an increase of 4 million square feet from the original rezoning application.

By December 1985, Chrysler, state, county and Auburn Hills officials began discussing the sale of economic development bonds to make the road improvements. Chrysler also announced in December 1985 that it wanted a 12 year, 50 percent tax abatement, which Auburn Hills granted in 1986.

CHRYSLER POSTPONED ground breaking in March 1986 because it had not received commitments from the government for road improvements.

Final costs for the project had not been worked out, but the total government subsidy for the center and the remainder of the Oakland Technology Park was estimated to be \$197.3 million in federal, state and local aid for infrastructure improvements, plus property tax abatements that could total \$144 million over 12 years.

In September 1986, Oakland County loaned Auburn Hills \$2.5 million for preliminary engineering work — the first public funds spent on the infrastructure improvements explicitly meant to serve the Chrysler project.

Chrysler finally broke ground on the 3.3-million-square-foot technology center — phase one — in October 1986 following site plan approval by the Auburn Hills city council. Incentives and infrastructure commitments had still not been made, so Chrysler restricted site work to grading.

CHRYSLER ESTIMATED it would move 5,000 employees from its Highland Park headquarters to the technology center, but when completed, the project and its nearby auto supplier park would provide roughly 20,000 jobs.

The longstanding debate over the TIFA district came to a head in April 1987, when it was challenged by groups attempting to halt the diversion of tax dollars from schools. The Michigan Supreme Court upheld the constitutionality of TIFAs in 1986, which freed funds for work in and around the Oakland Technology Park, but Chrysler officials needed to move ahead with its project.

Chrysler proposed utilizing the Local Development Finance Authority (LDFA) act. Similar to the TIFA law, LDFA would enable the city to earmark 100 percent of the unabated tax for improvements in the technology center.

Both Pontiac and Avondale schools threatened lawsuits over Chrysler's request for an LDFA. Auburn Hills originally rejected Chrysler's request for a LDFA because it went against a 1985 agreement between Auburn Hills and the schools that it would capture no more than half of the taxes generated by the site for infrastructure improvements and that Chrysler had yet to commit to the project.

CHRYSLER AND Auburn Hills reached an agreement

on the LDFA in March 1987 in which Chrysler would guarantee the loans should its plans for the technology center fall through. The city filed a LDFA plan in June 1987.

Avondale schools, which was not directly affected by the LDFA district, did not file a lawsuit.

Pontiac Schools, according to attorney Neil Goodman of Clark, Hardy, Lewis, Pollard and Page, which represented the schools, filed a lawsuit against the LDFA authority and Auburn Hills.

The lawsuit questioned the expenditure of LDFA funds for construction of barrier free improvements at the center, and left open an option to attack the LDFA as unconstitutional.

As with the TIFA in 1985, the Michigan Supreme Court upheld the constitutionality of the LDFA, but the school district is still pursuing the case against using the LDFA funds for barrier free improvements, which Pontiac schools argue should be paid for by Chrysler.

Pontiac lost in the Oakland County Circuit Court and has appealed the ruling to the Michigan court of appeals, Goodman said. "The court heard oral arguments in December 1989 and we're still waiting for a judgment."

In December 1987, Auburn Hills demanded that Chrysler guarantee loans — estimated to be around \$600,000 to \$1 million — it had taken out for preliminary road design work, according to Auburn Hills economic development coordinator Mary Ann Miller.

The city borrowed the funds in anticipation of tax revenues from the center but needed a commitment before Jan. 4, 1988, that Chrysler would definitely build the technology center site.

Auburn Hills could not continue to borrow the money without assurances by Chrysler that the company would back the loans, Miller said. Fears that a 1987 automotive recession would delay, downsize or cancel plans for the technology center were behind Auburn Hills' decision to ask for loan guarantees, she said.

Chrysler failed to meet Auburn Hills' early 1988 deadline, and the city carried through with its threat to suspend road work.

The suspension was short lived, Miller said. Chrysler and the city continued negotiations and engineering work resumed even though Chrysler did not sign a letter of credit backing the economic development bonds until May 1989, Miller said.

Site and structural work started in late 1988 and early 1989 when workers began finishing the project. Chrysler estimated at the time that some Chrysler employees would be working at the site as early as fall of 1989.

Nears completion

Continued from Page 1

several (development) companies that have expressed interest in it, but it's still on hold for now."

Estimates of jobs provided by the Chrysler technology center and the nearby auto supplier park range from 20,000 to 32,000.

FOR ALL OF the money the state has contributed to the project, the project will be worth it, Bill Lontz of the Michigan Department of Commerce economic development division said.

The state's total financial outlay of \$80 million in road improvements and economic development money for the Chrysler project's training center will result in approximately \$250 million in single business and income tax revenues over the 10 years.

"If you look at it as a typical stock market deal, we're spending \$1 and getting \$3 back," Lontz said.

Chrysler's decision to not build a second phase at this time will not affect those numbers, Lontz said.

The federal government is kicking in an additional \$155 million in economic development, demonstration and highway money for the Chrysler Technical Center project.

ALTHOUGH CONSTRUCTION seems to be moving slowly, progress is being made every week, said Mary Ann Miller, economic development coordinator for Auburn Hills.

Chrysler has completed training center in the complex and was granted a temporary occupancy permit in early February.

Chrysler intends to complete the technology center and move in by December 1991 or early January 1992, Miller said.

"Dates can always fluctuate based on a lot of different things including the sale of cars, but that's the time I have in all of my documents."

"To my knowledge — and I talk to the people at Chrysler quite often — there have been no changes in plans."

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