

HEALTH POINTE — NEW PLANNED UNIT DEVELOPMENT



Health Pointe is a collaboration between Spectrum Health and Holland Hospital to construct a new medical office building on the last remaining lots located on the north end of the Meijer store property.

The local Spectrum Health physicians are leasing space in the Harbor Dunes building from the North Ottawa Community Health System (NOCH). This lease will expire in October of 2017, but could be renewed for an additional five years.

However, rather than renew their lease with NOCH, the physicians plan to expand their practice (*which currently serves about 20,000 patients*) and construct a new **105,000 square foot medical office building**. If successful, the facility could be expanded by an additional 15,000 square feet.

The new medical office building will house additional physician services — including specialties such as cardiology, endocrinology, neurology and urology. Plans also include radiology, laboratory services, CT scans, MRI scans, and an outpatient surgical suite, which was recently granted a Certificate of Need by the State of Michigan.

The goal of the Health Pointe facility is to provide local access for Holland Hospital and Spectrum Health patients who now have to travel for services. About 80% of the Health Pointe patients' health care needs can be met at this single, local facility. Health Pointe also addresses an Ottawa County Community Health Needs Assessment finding which indicates a need for greater access to primary and specialty care.

This is supported by recent statistics that show that there is a **poor provider-to-patient ratio** in Ottawa County. Although the state average is 1 physician per 1,240 patients — Ottawa County has a ratio of 1 physician per 1,620 patients, which is about **31% worse** than the state average. And, because Ottawa County is the fastest growing county in the State, this ratio could continue to decline without additional health care options for residents.

Once completed, it is expected that Health Pointe will employ **250 individuals** and will create about **160 new jobs**.

However, the Health Pointe project was controversial and a number of objections were raised. These objections will be discussed on the following pages, which will both correct misinformation and explain why the elected officials approved the Health Pointe medical office building.

Economic Impact on North Ottawa Community Health System (NOCH)

Opponents focused heavily on the potential negative economic impact that Health Pointe would have on NOCH.

In brief, opponents to Health Pointe argue that health care is not truly a free market and that Health Pointe will be able to focus on the most profitable health services drawing monies away from NOCH, who is required as a hospital to provide many services that are not profitable.

The predicted outcome of this dynamic is that NOCH would eventually fail financially.

Although the opponents may not be “wrong”, the Board felt that this is a tenuous argument for denying zoning approval. Further, the Board felt that **residents deserve a “Choice”** for health care services without having to leave the community.

Elected officials should not use zoning regulations to pick “winners” and “losers” in the health care market.

The Board's vote espoused a governance philosophy that elected officials should not use zoning regulations to pick “winners” and “losers” in the health care market.

Two days after the Township Board approved the Health Pointe facility, NOCH announced it had entered into a strategic alliance with the Mercy Health group to ensure its patients had “improved access” to health care. With this collaborative agreement, NOCH should be able to continue to operate as a small local hospital even with competition from Health Pointe.

Property Taxes

Opponents note that the Health Pointe facility could apply for an exemption from property taxes as early as 2018. This is true.

Because of a precedent-setting Michigan Supreme Court decision (*i.e.*, *Wexford Medical Group v. City of Cadillac*), a non-profit health care corporation can be exempted from property taxation as a “charitable institution” under the Michigan General Property Tax Act. This decision means that any non-profit health care corporation could seek an exemption from property taxes — including the Harbor Dunes facility owned by NOCH.

It should be understood that Health Pointe has not asserted any property tax exemption with the Michigan Tax Tribunal. And, Grand Haven Township would oppose such a request. But, because of the Michigan Supreme Court decision, the Township agrees with opponents that **if** the Health Pointe facility received a property tax exemption from the State of Michigan, the facility would become a “net drain” on the Township since it would be a significant user of Township services; but, would not pay property taxes.

To protect against that possibility, the Township negotiated a Payment in Lieu of Taxes (PILOT) agreement that would become effective if the Michigan Tax Tribunal granted a property tax exemption to Health Pointe. The Township has a similar PILOT agreement with the Grand Haven Board of Light and Power (BLP) for the facilities that BLP maintains in the community.

Specifically, the PILOT agreement guarantees an annual payment equal to the Township’s millage rate (*i.e.*, *about 4.32 mills*) on a \$10 million Taxable Value, which is equal to a \$20 million market value. Further, payments will be adjusted annually for inflation. This \$43,200 annual payment will ensure there are monies to cover services that the Health Pointe facility would directly receive from the Township (*e.g.*, *Fire and Rescue services, Harbor Transit services, police services, street maintenance, ordinance enforcement, etc.*).

The opponents also argued that this annual PILOT payment is “too little” for the purported **\$50 million dollar** investment related to Health Pointe.

In response, it should be understood that a \$50 million dollar investment by Health Pointe is not a \$50 million dollar building. The investment also includes the 160 new jobs being created, the transfer costs, the infrastructure costs, new medical equipment, etc. None of these items are subject to property taxes.

The formula utilized for the PILOT agreement was simply based upon the Township’s current millage rate (*i.e.*, *General Operating = 0.91710 mills; Fire/Rescue Service = 1.9 mills; Police Services = 0.55 mills; Transportation Services = 0.95 mills for a total of 4.3171 mills – rounded up to 4.32 mills*) multiplied by an estimated Taxable Value of \$10 million (*or a market value of \$20 million*).

The **\$10 million** Taxable Value estimate was based upon the following:

Facility	Square Footage	Taxable Value
NOCH Lakeshore Health Care facility	53,682	\$2.86 million
Holland Spectrum Health Medical Facility	58,710	\$3.73 million
Grand Rapids Township Spectrum Health Integrated Care Campus	95,205	\$6.17 million
Total	207,597	\$12.76 million
Taxable Value / Square Foot Average		\$61.47/sq. ft.
Taxable Value Estimate for 120,000 sq./ft. Health Pointe facility		\$7.38 million

The table indicates that the Taxable Value for the Health Pointe facility when constructed will likely be about **\$7.38 million**. Therefore, the Township began negotiations at a \$10 million Taxable Value number – expecting that there would be some compromise and we would end at a number closer to an \$8 million Taxable Value. However, Health Pointe agreed to this initial Taxable Value number without complaint.

The PILOT monies are only meant to cover any Township revenue loss should a property exemption on the Health Pointe facility be granted by the Michigan Tax Tribunal. The PILOT agreement is not meant to cover services that do not directly benefit the Health Pointe facility (*e.g.*, *museum, education, County parks, etc.*). **It would be difficult to assert that a tax exempt entity had to pay for services it did not directly receive.**

It is believed that this is the **first and only** example in Michigan where a PILOT agreement was used to protect a municipality from the negative impacts of a “possible” future property tax exemption.

Traffic

Opponents claim that the traffic impact study was too limited and should be conducted over a larger area.

In response, it was noted that Health Pointe hired AECOM to complete a “traffic impact study” of the project with a study area that was already larger than what is typically required and that the study was completed pursuant to established traffic engineering industry standards.

Further, this study was independently reviewed by the Ottawa County Road Commission, which concluded that the level of service on Robbins Road could be maintained at a “**C**” **rating** with improvements to the Robbins Road and 172nd Avenue traffic signal and the re-striping of certain portions of Robbins Road.

These recommended improvements were already part of the City’s Capital Improvement Plan for Robbins Road. And, Health Pointe **voluntarily agreed to contribute \$132,000** toward these off-site improvements.

Building Height

Health Pointe originally proposed a building that was 55 feet in height. Opponents claimed that this was too tall.

The elected officials agreed and required that the building be **reduced↓ to 45 feet**.

However, opponents were not satisfied and demanded that the zoning limit of 35 feet be applied.

To understand this issue, it is important to understand the difference between a Planned Unit Development (PUD) and a site plan. A site plan follows strict zoning regulations without option for exceptions and must be approved “by right” if all standards are met. However, a PUD is a legal form of “contract zoning” that allows departures **if** the development is improved and the applicant provides something of value.

Two examples cited where developers were not granted departures were the Generation Care building located near US-31 and Lincoln Street and the strip mall located along US-31 just south of Ferris Street. However, the owners for both of these developments **chose** to use the site plan approval process as opposed to the PUD approval process. Still, pursuant to the Zoning regulations, both developments were eligible for one departure related to the placement of the access drives. And, the Planning Commission granted this departure to both developments.

It is noted that all of the previous PUD developments within the Township also received departures that were determined to improve the overall design and value of these developments (e.g., *Speedway, Piper Lakes Apartments, etc.*).

In this instance, the Planning Commission and Board authorized four departures from the strict zoning regulations. These included:

1. Building Height - The Board allowed the height of the building to be 45 feet, in part, because (1) the Master Plan encourages commercial developments to be taller in order to reduce “sprawl”; (2) the Fire department has a vehicle that can reach 75 feet; and, (3) the nearest single family residential structures are over 1,100 feet distant.
2. Parking - The zoning rules limit parking to a maximum number, unless the applicant completes a parking study to demonstrate that additional spaces are necessary. In this instance, using data from similar medical facilities, the applicant was able to prove that the parking should be increased.
3. Landscape Islands - Certain landscape islands within the parking lot were allowed to be 2 feet longer and are expected to “calm traffic” and provide for additional landscaped areas.
4. Signage - Because this was an amendment to the existing 1998 Meijer PUD, the exception was a “blend” of the 1998 rules and the current rules. The end result is that the amount of ground signage was **reduced↓ by 116 square feet**; but, the signs could be six feet tall pursuant to current zoning standards.

So what did the Township receive in return for these four exceptions? The Township placed **23 conditions on the PUD**, including the following:

1. Health Pointe will provide **\$132,000** to the City of Grand Haven for off-site improvement to Robbins Road;
2. Health Pointe guarantees that they will provide monies for direct Township services, even **if** the Michigan Tax Tribunal provides an exemption to property taxes;
3. Health Pointe will provide an easement for the purposes of aligning Whittaker Way and DeSpelder Street should this planned collaborative project between the City and Township occur;
4. Health Pointe will remain a Class “B” office building and will never be developed into a hospital; and,
5. The parking areas are “back loaded” to improve safety and vehicular flow.

Permitted Uses

The final argument against Health Pointe was that “Permitted Uses” in Commercial districts allows “office buildings”; but does not specifically list “medical offices”. Further, because medical offices are only listed in the Service/Professional District, Health Pointe should not be allowed in a Commercial PUD.

The elected officials acknowledged that there is ambiguity in the Zoning Ordinance with regard to the term “office buildings”. Large and complex developments often will raise issues that were not anticipated when the ordinances were originally drafted.

But, after reviewing numerous legal opinions and case law, the Board sided with the Township attorney and determined that the term “**office buildings**” in the Commercial zoning district was broad enough to include “**medical offices**”.

In reaching this decision, the Board continued a governance philosophy that encourages ambiguities in any ordinance to be interpreted to the “benefit” of the property owner — not the Township.

Because of the concerns that were raised during the Health Pointe zoning review process, the Board did instruct the Planning Commission to address the issues that were found. However, because of delays in processing the Health Pointe PUD amendment application, the ordinance to address these concerns was actually approved two weeks prior to the final vote on Health Pointe.

In response, opponents opined that the Township was “changing the rules” for Health Pointe.

But, it is important to note that the elected officials used the zoning standards that were in place when Health Pointe originally applied for zoning approval during the vote on **March 28th** — the Board did not utilize the standards contained within the new zoning regulations.

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A Long Process

The Township began work on the Health Pointe project in **March of 2015**.

The Planning Commission held eight public meetings during which the Health Pointe project was discussed beginning with a pre-application conference held in September of 2015 and including a joint meeting with the City of Grand Haven Planning Commission.

The Township Board held one public hearing and reviewed the Health Pointe application at four additional public meetings. A total of **66** people spoke at these meetings. Some of these individuals spoke at each of the five aforementioned meetings. A breakdown of these 66 speakers indicates the following:

1. 44 (*or about 67%*) of the speakers were non-residents; 22 (*or about 33%*) of the speakers were residents of the Township. Because the Township’s population is about 16,101, these 22 residents that spoke represent about **14/100ths of 1% of the residents**. This sample size is too small to make any extrapolations regarding whether township residents support or oppose the Health Pointe project.
2. 23 (*or about 35%*) of the speakers were affiliated with NOCH; 11 (*or about 17%*) of the speakers were affiliated with either Spectrum Health or Holland Hospital. Not surprisingly 100% of the speakers affiliated with NOCH opposed the Health Pointe project while 100% of the speakers affiliated with Spectrum Health or Holland Hospital supported the project.

Public comments are an important part of the decision making process for elected officials. And, the 22 Township residents that spoke showed a deep commitment to their positions on Health Pointe. However, these comments were not sufficiently persuasive to convince the elected officials to vote against the recommendation from the Planning Commission to approve the Health Pointe project.

At the end, **the Township Board voted 6 to 1 to approve** the Health Pointe application and amend the Meijer Planned Unit Development.

If you would like to review any of the Health Pointe documentation or plans, please contact Township Manager Bill Cargo by either calling (616) 402-0350 or emailing him at bcargo@ght.org.