



# Rochester Hills

## Minutes - Draft

### Local Development Finance Authority

1000 Rochester Hills Dr  
Rochester Hills, MI  
48309  
(248) 656-4600  
Home Page:  
[www.rochesterhills.org](http://www.rochesterhills.org)

*Jeremy Brown, Michael Damone, Michael Ellis, Darlene Janulis, Michael Kaszubski, Donald Price, Peter Provenzano and Stephan Slavik*

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Thursday, October 8, 2015

7:30 AM

1000 Rochester Hills Drive

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## CALL TO ORDER

Chairperson Stephan Slavik called the Regular Local Development Finance Authority meeting to order at 7:30 a.m. in Conference Room 221.

## ROLL CALL

**Present** 7 - Michael Kaszubski, Michael Damone, Michael Ellis, Darlene Janulis, Donald Price, Peter Provenzano and Stephan Slavik

**Absent** 1 - Jeremy Brown

Quorum present.

Also present: Ed Anzek, Director of Planning & Economic Dev.  
Paul Davis, Deputy Director of DPS/Engineering  
Kurt Dawson, Director of Assessing/Treasury  
Pamela Valentik, Manager of Economic Dev.  
Maureen Gentry, Secretary

## APPROVAL OF MINUTES

[2015-0395](#) July 9, 2015 Regular Meeting

**A motion was made by Janulis, seconded by Damone, that this matter be Approved as Presented. The motion carried by the following vote:**

**Aye** 7 - Kaszubski, Damone, Ellis, Janulis, Price, Provenzano and Slavik

**Absent** 1 - Brown

## COMMUNICATIONS

Road Update Handout from Paul Davis, Deputy Director of DPS/Engineering

## CONTINUED BUSINESS

### 2008-0356

Discuss property development for the City-owned property on Hamlin

*Mr. Anzek noted that the LDFA had been briefed previously about the City-owned property on Hamlin Rd. Ms. Valentik had been working with a company in town that was attracted to the property, and they were getting close to choosing a site to build. They had narrowed it down to two, and Rochester Hills was one of them. The parties were trying to close the gap between the asking price for the property and what they believed the competitors, Auburn Hills, were asking. The City had come down in price somewhat. There used to be \$750k budgeted for public improvements on the property to incentivize the deal. Staff was at the point where they needed to ask the LDFA members what they thought was a reasonable dollar amount to use to negotiate and keep the company in Rochester Hills. The company was bringing in other divisions, and it was growing. It was an extremely high-tech German company involved in optics, lasers, metrology, etc., and they were prudent with their money. Their finance director was coming to Rochester Hills from Germany in a few weeks to meet with Staff and the Mayor to discuss some hard numbers, and they wanted to find out what the LDFA might offer. The money could be used for a road, water and sewer lines, land balancing or some other type of infrastructure. All those things were attractive to a developer because they were large, upfront, out-of-pocket costs. If the LDFA could help reduce some of those costs, it would get it back in taxes over time. Whatever the LDFA supported, it would be used as an incentive, and they would determine how much would actually be used. Mr. Joe Snyder from the Fiscal Department had put together a summary of the projected LDFA budget for the next three years. There was \$2.9 million in the bank currently that earned very little interest. Mr. Anzek summarized the projected revenues.*

*Ms. Valentik said that in 2017, they would start to see the revenues decline because of the personal property phase out. Even into those years, it was projected that they would still be contributing to the fund balance, but it would not be as much as this year. She had also included a copy of the most recent Capital Improvement Plan. The Interchange Technology Park site preparation at \$750k from the LDFA was shown. That project had been taken out of the LDFA budget but stayed in the CIP and was bumped out years ahead until they knew there was a strong prospect, and they could promote it as a carrot.*

*Mr. Damone asked what sites in Auburn Hills the company was looking at, and Ms. Valentik said that the company had not shared that. The real estate consultant only told Staff that they needed a quantifiable amount for the incentives. She advised that City Council would consider a 12-year tax abatement on the real property, which would be a 50-50% match. She had also shared that the LDFA might make some capital available to cover site development improvements. The company wanted to balance that against the price of the land so they knew exactly what the deal would entail. Mr. Damone asked if the consultant was local, which Ms. Valentik confirmed.*

*Mr. Ellis asked if the company was already in the states and how long it had been in business. Ms. Valentik advised that it was currently in Rochester Hills and had been for about 20 years. They acquired a company here, but the decision would ultimately be made in Germany. Mr. Ellis asked if the City could quantify any sense of what the present worth of the tax abatement in Auburn Hills would be. Ms. Valentik could not, because she did not know the specific site. The City's Assessing Department had been able to quantify the value of a new construction building based on the size of the building and how much was office versus industrial. The City could really only put together an estimate of the dollar value. Mr. Ellis asked if he could assume that the building would be special purpose in nature because of the type of business. Ms. Valentik said they would be constructing a 100k square-foot building in phase one, and 60% would be shop and 40% office, and it would be 100% climate controlled. Phase two would happen five years from the move-in date, and they would add 30-50k square feet. In the shop, they would be building industrial metrology equipment. It would be very finite and specialized, and there would not be trucks coming in and out all day, and they would not run multiple shifts. It would be low volume machinery, and it would be a good client and a good neighbor for that property.*

*Mr. Ellis said that his sense was that they would have to have a complete offset of any tax abatement and whatever else Auburn Hills was offering. Ms. Valentik had spoken with other representatives from the County and the State that had been working on the project, and she stressed that it was truly the City's carrot. The LDFA's ability to help cover some of the costs of preparing the site was something Auburn Hills was not making available. The company would like to know what the "up to" figure was.*

*Mr. Damone asked what Staff thought was the right amount or what they needed to make the deal. Mr. Anzek remarked that he really wanted the company. He said that two years ago he would have said \$750k, but*

*since that time, the personal property tax was being eliminated, and the LDFA's projected revenues were declining. It made him a little more gun shy to go after that amount, however, that amount was published in the CIP to show them that the City had committed \$750k for building improvements on the site. They spoke with the Mayor, and he suggested \$500k. Mr. Anzek felt that they were negotiating with themselves rather than the company, and he suggested that they should put out the \$750k that had been already published, because they would get it back.*

*Ms. Janulis asked the estimated additional taxes the company would generate. She indicated that Mr. Anzek had said the City would get it back, but she wondered how many years it would take to recoup if they provided \$500k. She thought it might be a question for Mr. Dawson, and she felt that if it was a three or four-year recoup that it would help with her decision.*

*Mr. Ellis suggested that they might have more money to work with than they thought, and he explained that there could be two prices. If it was structured as a ground lease at first, and the company stayed for five or ten years, at the end, the company could then get the land for x amount, which would be at a depressed price.*

*Mr. Anzek agreed, and Staff had talked about that and about a land contract sale over time at a low percent. He remarked that 1% would still be four times better than what Mr. Dawson could bring in the market.*

*Chairperson Slavik asked if the company would be taking the whole site, and Mr. Anzek advised that they thought they might need ten acres, but the City was not too keen on that. They would push for the whole 15.5 acres. If it came down to only ten, Staff would make sure that the land remaining was very marketable with great frontage. They could not create an orphan piece in the back - it would never be developed.*

*Mr. Ellis thought that the tax abatement advantage would exceed the dollars they had been talking about. If the City really wanted the company, he stressed that they would have to get really creative.*

*Mr. Damone said that they were competing with Auburn Hills, and if they looked at the tax rate between Rochester Hills and Auburn Hills, it would be similar. He considered that whatever tax abatement Rochester Hills gave would be equivalent in Auburn Hills. Ms. Valentik pointed out that Auburn Hills only gave eight-year abatements, and Rochester Hills could go up to 12.*

*Mr. Price asked if there were any large, one-time expenditures forecasted through 2018. He did not think he saw any big expenses. There was a \$3 million balance currently, and the property had been sitting vacant for a long time, so he thought they should do everything they could to bring the company. He wondered if it would be worth paying a little "nuisance premium." Ms. Valentik agreed that there were no major projects the LDFA would be funding in the next five years.*

*Chairperson Slavik asked if the infrastructure, such as fiber optics along Hamlin, was in place to compete with the Auburn Hills park. Mr. Anzek said that Staff looked at fiber optics years ago, but no one expressed an interest in it, so it was never put in. The City would put it in if asked, because that was a viable LDFA expense.*

*Ms. Valentik said that when she got a call asking the City to quantify the dollar amount, she asked for a listing of things the City's site was short, compared with Auburn Hills' site. She would then be able to identify what might be an eligible expense for the LDFA. The caller said that he would rather just get a dollar figure from the City.*

*Mr. Anzek said that when he toured the company's shop and saw people working with the machinery and parts, they were all older gentleman. The company rep said that he could not find tool and die makers to run the machines to make parts. If they found the right person, they would take him or her to Germany for six months of training and back to a job paying six figures. Ms. Janulis said that they should team up with the schools, and Ms. Valentik said that they were participating in the State's MAT2 program. She talked about a student from OCC the company was training in mechatronics.*

*Ms. Janulis said that she had wondered what \$500k could be put towards and if there were enough projects that could benefit the company. Mr. Anzek thought there might even be more than what \$500k would cover. Ms. Valentik said that she had made it clear that the LDFA was not going to just hand over a check for \$750k - the LDFA would pay for eligible expenses on the property, such as tree clearing, land balancing or moving utility lines.*

*Chairperson Slavik suggested that the Trail would be unique, and he asked if there was anything they could do along the Trail. Mr. Anzek thought that a regional park to serve all the businesses along the Trail would be great, but what was done on the City's property would belong to*

*the company that bought it.*

*Mr. Damone asked when the company would make a decision, and Ms. Valentik thought they would be making a decision by the end of 2015. She and the Mayor had received a call that one of their executives was flying in from Germany this month and wanted to meet. It would be to negotiate all the details. Ms. Valentik said that when she spoke with their consultant, the price on the City's land was a little high. However, if the LDFA's dollars could be quantified, it might balance what they were asking for the land. That might help the City get a little more for the sale of the property to reimburse the Water and Sewer Fund.*

*Mr. Ellis mentioned again deferring getting the money for the land into the future and doing a ground lease, which would save the City money. Mr. Provenzano pointed out that there were no other LDFA projects planned over the next two years. If the City offered \$750k, it would be two years of surplus, so theoretically, at the end of two years, the fund balance would be back to what it was.*

*Mr. Price wondered if the City could offer more if the company took all 15 acres, and if they only took ten, they would get less. Ms. Valentik thought that was a good idea, because the company did ask if the City would sell only a portion, but that would incentivize the company to take the whole piece. Mr. Price noted that the City wanted the company to take the whole 15 acres, and he thought that \$750k for 15 acres and \$250k or \$300k for ten acres would be appropriate.*

*Mr. Damone asked how the price of the land was set. Mr. Anzek said that Mr. Dawson did an analysis, looking at what office and industrial land was going for. They had been told by brokers who did not have a client that the price was reasonable, but for every broker that had a client, the City was overpriced. Ms. Janulis asked if the sale of the land would have to go through City Council, which Mr. Anzek confirmed.*

*Ms. Janulis said that she would not want the LDFA to exceed what they would recapture in two years. She had wished a tax analysis had been presented. Mr. Anzek reminded that it was not only a dollar for a dollar. People would buy homes, get jobs and spend money in the community. 40% of office space was used by engineers and designers - people with high paying jobs. Ms. Valentik also reminded that the City was not collecting any taxes on the property currently. Even with an abatement, they would get more than they were now. Mr. Anzek liked Mr. Price's suggestion about giving up to \$750k if a company took all 15 acres.*

*Upon questioning, Ms. Valentik said that the company would be adding 45 jobs. Ms. Janulis moved the following for the record:*

**MOTION** by Janulis, seconded by Ellis that the Rochester Hills Local Development Finance Authority authorizes Administration to negotiate, with the sale of the land, an amount not to exceed \$750,000.00 for eligible LDFA expenses.

**A motion was made by Janulis, seconded by Ellis, that this matter be Approved. The motion carried by the following vote:**

**Aye** 7 - Kaszubski, Damone, Ellis, Janulis, Price, Provenzano and Slavik

**Absent** 1 - Brown

*Mr. Anzek exited the meeting at 8:00 a.m.*

## **ANY OTHER BUSINESS**

*Ms. Mindy Fernandez from Strategic Communication Solutions (SCS) introduced herself as one of the representatives from SCS to the LDFA. She noted that she did marketing and legislative work for SCS.*

*Mr. Davis advised that Hamlin Rd. between Livernois and Dequindre would be opened to traffic October 12, 2015. Also, an irrigation system was being installed along Hamlin between Adams and Crooks, which should be finished this year and after that, they would install one along Adams south of Hamlin. They continued to use Metro Act funding, and funding from telecommunications companies for right-of-way improvements, which had been used to put in irrigation systems in the boulevards for a number of years.*

*Mr. Davis next advised that the paving of Tienken Rd. between Adams and Livernois would start October 9th and should be open to traffic in a couple of weeks. Ms. Janulis mentioned that they had put down the first layer, and Mr. Davis added that people thought it was done, and they wanted to start driving on it, but it was not useable until the pavement markings and road signage were completed. He noted that the MDOT Rochester Rd. project was wrapping up.*

*The concrete paving program in the LDFA district went well and shortly, they would be putting together next year's program. Mr. Davis suggested that members should let him know if there were any areas they would like to see done.*

*Mr. Davis noted that a South Boulevard paving project came up very quickly. It was not in the Capital Improvement Plan, but Governor Snyder freed up some money from the State, and each city that participated in Act 51 got some of the money. For Rochester Hills, it meant a one-time allocation of \$760k, which they just learned about. During Engineering's budget session with Council, they talked about this opportunity and how they would want to spend it. At the same time, Troy approached the City and asked to partner on a project on South Boulevard. They approached the Road Commission, which owned South Boulevard, about a project between Adams and Crooks, which would be a little short of a full reconstruction. The paving would be removed, and it would be overlaid and repaired. That project cost was estimated to be just under what the allocation was. City Council agreed to include it as a project for next year, and the Road Commission would design it. Then Troy met with its City Council, and they did not want to do a project between Adams and Crooks; they wanted to do one between Crooks and Rochester. Mr. Davis said that he was not sure what would happen, and the City had already committed to the other section, so a project somewhere on South Boulevard would go next year.*

*Mr. Davis said that there was a \$200k grant received for the Clinton River Trail for improvements between Rochester, Rochester Hills and Auburn Hills.*

*The City had done about ten miles of asphalt resurfacing this year. He reminded that the City had a concrete repair program and an asphalt repair program, but with concrete, they could only afford to do single slab replacements. He indicated that it would be better if they could do full subdivisions and longer stretches of concrete, but compared with asphalt, it was a lot more expensive, although asphalt did not last as long. He commented that it might not be the best thing to do in the industrial subdivisions because of all the heavy truck traffic.*

*Mr. Davis noted that the Christian Hills' water main and road resurfacing project had gone very well. The contractor was using something new called pipe bursting technology. He explained how it worked, and advised that they did not have to put in a temporary water service above ground during the project, which was convenient. He stated that the contractor was terrific, and they were doing the final burst of the water main pipe, and then they would resurface the roads. Chairperson Slavik asked if they had to excavate the leads, which Mr. Davis confirmed, and he added that it was all done within one day.*



*Chairperson Slavik asked about the batch plant on Avon Industrial where big tankers made a left turn and leaked something onto the roadway. That material had built up on the asphalt in the left turn lane. Ms. Valentik agreed that it looked like there was a trail coming off of M-59. Chairperson Slavik asked if the City could make them clean it up. Mr. Davis thought that it probably got cleaned when the roads got plowed, because the guys used a lot of blade pressure when they plowed, but he would check into it.*

*Ms. Janulis recalled that at the April meeting, the LDFA board earmarked \$10k for a Technology Dr. improvement. She noted that it had to do with the Beautification Program, but she had not seen the improvement or heard anything further.*

*Ms. Valentik advised that she met with the reps from the Association for the park. They were working on getting quotes and on the application. They did not anticipate coming to the City until the spring with the application, which was for the signage off of Adams and for the connector to the Trail. They still had to work out the legalities, because the strip for the pathway was private property, and they needed to get it transferred over to the Association. It would be a good addition to tie in with the grant announcement for the Clinton River Trail, because that park had talked about donating something along the Trail.*

## **NEXT MEETING DATE**

Chairperson Slavik reminded the Board that the next Regular Meeting was scheduled for January 14, 2016.

## **ADJOURNMENT**

Hearing no further business to come before the LDFA Board, Chairperson Slavik adjourned the Regular Meeting at 8:21 p.m.

Respectfully submitted,

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Stephan Slavik, Chairperson  
RH Local Development Finance Authority

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Maureen Gentry, Secretary

