



Rochester Hills

Minutes - Draft

Local Development Finance Authority

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

Thursday, April 14, 2016

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Stephan Slavik called the Regular Meeting to order at 7:30 a.m. in Conference Room 221.

ROLL CALL

Present 8 - Michael Kaszubski, Michael Damone, Michael Ellis, Darlene Janulis, Jeremy Brown, Donald Price, Peter Provenzano and Stephan Slavik

Quorum present.

Also present: Pam Valentik, Manager of Economic Development
Ed Anzek, Director of Planning and Economic Dev.
Paul Davis, Deputy Director DPS/Engineering
Mike Hilfinger, SCS
Maureen Gentry, LDFA Secretary

APPROVAL OF MINUTES

[2016-0145](#) January 20, 2016 Special Meeting

Hearing no comments regarding the Minutes, Chairperson Slavik announced that they were approved.

Approved as Presented

COMMUNICATIONS

Several documents were passed out during New Business regarding JENOPTIK Automotive and the Trail connection at Hi-Lex, including a site plan, maps and an elevation of the proposed JENOPTIK building on W. Hamlin.

NEW BUSINESS

[2016-0011](#) Updates for 1544-1600 W. Hamlin Rd.

Ms. Valentik noted that at the last meeting, the City had formally received a purchase agreement for the Hamlin Rd. property, but the attorneys were still in negotiations, and it had not yet been presented to City Council. The LDFA members were given some of the details but not the buyer's (company's) name. Since that time, the purchase agreement had been taken to City Council for approval, and a closing was scheduled for April 15, 2016 (the following day). JENOPTIK Automotive was the purchaser, and they currently had a location across the street in a leased facility. The purchase agreement was for two parcels totaling the whole 15.6 acres of the City-owned property. Their plans were for a proposed three-phase project. The original phase would be a 100,000 square-foot facility, and phase two would be a 45,000 square-foot addition on the same parcel on the east. That could occur within three years depending on their business plan. Phase three would be a 50,000 square-foot building on the western parcel that would mirror the first building. She passed out the site plan and elevation of the proposed building, which was placed on file for the record.

Ms. Valentik advised that JENOPTIK had received Site Plan Approval from the Planning Commission at its March 22, 2016 meeting. They also received a recommendation of approval for a Conditional Use Permit, because their operations included some assembly, and the Conditional Use was approved by City Council on April 11, 2016. Mr. Anzek added that they just needed to get engineering documents approved and building permits. Engineering had issued a land balancing permit, which allowed dirt to be moved and trees to be removed.

Ms. Valentik stated that JENOPTIK had a very aggressive occupancy date to move into the building by March 2017. She felt that the City had done everything possible to move the project forward. Both parties were anxious to close - JENOPTIK so that they could actually go onto the property. She mentioned that JB Donaldson and Company would be the general contractor, and that the City had been getting very positive responses to the project. She met with the associations from two adjacent condo developments to share information and answer questions they had about drainage, and they would continue to be kept apprised of any developments. Mr. Anzek noted that there would be a change in colors on the siding for the building from a yellowish tone to a soft gray, which he felt looked much better. They got word from JENOPTIK's architects that the executives at the German headquarters wanted to make sure it was a very green, sustainable building.

Ms. Valentik indicated that JENOPTIK had been very appreciative in

working with the City, and that the LDFA helped fund expenses for the project. The LDF had made 20% of the purchase price available from LDFA funds, for a total of up to \$460,000 for expenses. The “up to” was added in the purchase agreement, because in the process of negotiating, they found out that because of JENOPTIK’s timeline, they had to drastically shrink the due diligence period. In the original purchase agreement, they had wanted up to six months for due diligence after signing the agreement. The City had been pleased with that, because it gave the opportunity to look at LDFA expenditures while the City still owned the property. The due diligence period was reduced to six weeks, but the City was working with them to try to take advantage of as much of the incentive as possible while still following within the guidelines.

Mr. Anzek noted that Keith Sawdon, the City’s Finance Director, recommended getting another legal opinion regarding LDFA eligible expenses. The list Ms. Valentik provided had costs included for legal counsel from Dickinson Wright, which specialized in LDFA activities, in the amount of \$20k. Dickenson explained how the Interchange Technology Park (previous name for the site) in the LDFA Plan called out the expenses, and they were comfortable with what was proposed for the LDFA funds.

Ms. Janulis asked if there could be additional expenses added to the grand total of \$272k in the report. Ms. Valentik agreed. She explained that the transition of ownership of the property acted as the crucial point for what was eligible. While the City owned the property, they could spend LDFA dollars to make the property more attractive and marketable and to make improvements. Once the property ownership was transferred, the LDFA dollars had to be spent either where there was a public benefit or where the dollars would be spent within a publicly-owned easement. The guidelines of what could be spent had changed because the due diligence timeframe changed. Things had been added to the list, and things had been taken off. The report listed items that the City had already paid pre-closing, except for asphalt removal, which they were working on currently. They paid to have an ALTA survey done. There were some trees that needed to be cleared, and the City paid for that. The Planning Commission approved a Tree Removal Permit to remove 100 trees. Mr. Anzek added that if the trees could not be replaced onsite, the City (LDFA) would have to pay into the City’s Tree Fund at \$200 per tree. It could add up to another \$20k as a worst case scenario. Ms. Valentik advised that the City hired a company to put up soil erosion fencing to clear the trees and to do stump removal and to remove some old fencing on the site. DTE had three lines that ran down the middle of

the property, and the City arranged to have DTE remove those lines.

Ms. Valentik noted that the City had a Phase One environmental done on the property back in 1999, but an updated study was needed. The Phase Two study was specific to some of the millings the City had placed on the property. The City paid to have those studies updated so they could show the buyer that the property was clean and ready for development.

Regarding asphalt removal, Mr. Anzek advised that the site used to house the Letica Corporation and its manufacturing building. The husband and wife who owned it built the office building that still currently sat at 1700 W. Hamlin. They held it under ownership and leased it to the corporation. In the late to mid-nineties, they created a cross access easement so they could enter a driveway that sat on the corporation's property and service the office building. There was also an easement stating that the corporation could repair the retention basin servicing the office building if the office building did not do it. The corporation would pay the \$30k for the repair and bill the owners very little so the burden of the cost fell on the corporation. Now that those two entities were gone, and there was different ownership, the City had to make it clear that what they were selling was clean. There was a parking lot that went just over the property line, and JENOPTIK wanted to know where the subject property line stopped. A business in the office building sold cars for non-profits. Someone dropped a car off that had been sitting for months on the City's property. Code Enforcement went out a couple of days ago and asked them to move it, and they did. The person there said that the bank sold them the City's lot, which of course was not true. The City, at JENOPTIK's request, was removing the asphalt for the lot. The LDFA would have to reimburse the DPS Department for the work. He indicated that they were not trying to use all the \$460k, but the City had to show a good faith effort to make everything work.

Ms. Valentik related that the items under post closing were suggestions the City had made to JENOPTIK. They were still working out all the details of their construction plans, and Germany was making changes all the time. She added that the City made suggestions for things staff felt were eligible LDFA expenditures, and a lot of them were estimates.

Mr. Anzek advised that they had gotten the paperwork last week from the title company getting ready for the closing, and the day before at about 5:00 p.m., there were three new versions in 20 minutes. He said that there would be a "New York" closing, where people did not have to be present to

sign but could remotely do so and send the paperwork by fax or email. Mr. Damone remarked that anytime someone mentioned New York, he knew it would be expensive.

Mr. Anzek stated that a lot of hurdles had been cleared. The Mayor was all set to sign the papers, but he was selected to be a delegate on a visit to China. Council passed a resolution authorizing the President of Council to sign the paperwork on the City's behalf to keep things moving.

Chairperson Slavik asked if the office building had its own retention pond. Ms. Janulis recalled that Mr. Anzek had previously mentioned that the basin serviced the area JENOPTIK could tie into. Mr. Anzek pointed out the basin that serviced the office building. The parcel to the east had the right to clean it and bill for it. Both the attorney for the City and JENOPTIK's attorney believed it was a non-issue, and that the easement was non-enforceable. Chairperson Slavik asked if there was an outlet for the basin. Mr. Anzek said that it fed into the detention basin that served the manufacturing building. If that was altered during phase three, they would have to take the outlet into consideration, because it was a pass-through system. There would have to be some type of party relationship between the two entities at that time.

Chairperson Slavik asked where the sale proceeds would go (remarking that it would be after the LDFA money was spent). Mr. Anzek advised that it would go back to the Water and Sewer Fund. Chairperson Slavik asked if the LDFA would get reimbursed from any future taxes, and Mr. Anzek said it would not. Mr. Provenzano noted that the LDFA did not purchase the property initially - the Water and Sewer Fund did.

Ms. Janulis suggested that there might be some costs for the elevation, and she asked if they might see some additional charges for trying to grade the site. Mr. Anzek did not believe so. The City did not bring any dirt in; they just had to prove that the dirt that was dumped before was clean.

Mr. Damone asked if the City would be exposed when phase two or three were done with regards to expenses or liability. Mr. Anzek said it would not be, because the City was not a principal responsible party in the brownfield rules. The City had not done anything to exacerbate the problems. The City bought the property and removed the building under the DEQ's standards. Mr. Damone wondered if there would be more improvements needed at the extra phases. He clarified that once everything was finished and money spent, there would be no further

exposure. Mr. Anzek said that JENOPTIK had accepted the environmental report. He said that they found out that JENOPTIK scrutinized the project more thoroughly because they got burned on a deal in France. They bought some land that was promised to be clean, and it was not.

Mr. Price asked if they would even come close to spending the \$460k. Mr. Anzek did not think so. Mr. Price said that it did not look like they would, except perhaps an extra \$20k or 30k on top of the \$272k. Mr. Anzek said that the City made it very clear that they could have done more with a six-month due diligence period. They could have done a little more prep work, but the company changed the timeframe in January to push it faster. Ms. Valentik pointed out under the post sale closing the trailway connection and landscape, and she said that it was for the piece that ran from JENOPTIK's property to the Trail. Mr. Anzek said that if the Trail was made public all the way to Hamlin, the LDFA could pay for it. Ms. Valentik added that JENOPTIK had not made a decision whether they wanted the connection through their site. She reminded that the City would be responsible for maintaining it.

Mr. Damone asked if there was an expiration timeframe regarding the LDFA's obligations for spending money. Mr. Anzek was not sure if there was a time limitation, but the reality was that once the building was done and occupied, there would be nothing else to spend money on. Mr. Damone had asked because of the Trail, and he wondered if five years down the road JENOPTIK decided they wanted it, if the City would have to pay to do it. Mr. Anzek said that if JENOPTIK decided they wanted it in five years, staff would bring it back before the LDFA to make sure if it was o.k. or not.

Chairperson Slavik suggested that if the City were to acquire the easement for the Trail, it would make more sense to put it on the western edge of the property. It would be a shorter connection. Mr. Anzek agreed, and said that it would also serve the phase three building. Chairperson Slavik felt that JENOPTIK would be more receptive to that so the public would not be going through the center of their campus.

Mr. Anzek advised that JENOPTIK's engineers had worked with the City before and knew the Ordinances and standards. The approval went very smoothly, because there were not a lot of changes. He noted that the previous fastest approval from the Planning Commission was five-and-a-half weeks, and this one took 20 days. There were a lot of pre-meetings before the applicant filed to make sure the correct

information would be submitted.

Mr. Damone amusingly asked if the members would be invited to the grand opening. Mr. Anzek said that they would absolutely be. He remarked that if JENOPTIK was anything like the other German companies in town that did a ribbon cutting, it would be a great party.

Ms. Valentik thanked the members for their support. She said that it was exciting to see something finally come to fruition. The LDFA had been looking at concepts for the property for a long time. She stated that it was about 28 hours to the closing. She felt that JENOPTIK would be a great neighbor. They had even arranged for tours if any of the neighbors wished. They wanted people to see their operation and see how quiet it was and how few trucks came. They had been very willing to show off their operations.

Discussed

ANY OTHER BUSINESS

Mr. Davis commented that there had been a lull before the storm. The bad news was that the road situations in the City would get a lot worse. There would be a lot of construction in a lot of areas soon. There would be good news when it was done, however. Projects were getting ready to kick off, although the concrete program had started and equipment was mobilizing. There was work to be done in the Tan and Avon Tech Industrial Parks. They would be the last areas done this year. The City would do resident subdivisions first and then the industrial areas, and the completion date would be September 3rd. The tech park work would start the third or fourth week in June. He advised that the asphalt rehab program was done yearly. That program generally went quicker, and the completion date was set for August 15th. An area included in that program outside of subdivisions was the Northfield Industrial Park, which would be a fairly demanding reconstruct. They would remove 9" of pavement and put 9" back in with some new stone and curb and gutter replacement.

Mr. Davis noted that there would be a couple of projects on South Boulevard that the City would be involved in for which the City of Troy and the Road Commission were taking the lead. South Boulevard at the intersection at Rochester would be closed. There still might be a signal there to provide gaps because in Troy there was development that would have difficulty exiting onto Rochester Rd. That project opened for bids a

couple days ago, but it was on an expedited schedule by the Road Commission - the timeframe was about 43 days to get it opened, so it should be open by July 1st. There would also be some pavement repair work done on Rochester Rd. north of South Boulevard up to Michelson.

Ms. Janulis asked if any other work would be done on South Boulevard. Mr. Davis agreed that there would. Closing South Boulevard east and west at the intersection was part of a larger project from Livernois to Rochester that would get resurfaced. Troy also had a request to go from Rochester east to John R next year. That would be put into the City's budget this year, and it would go forward next year in a similar fashion.

Mr. Davis said that because the Road Commission would be starting east of Livernois on South Boulevard, they would also be getting into the intersection at South Boulevard and Livernois. Plans had not been completed yet, but there would be a June bid opening. That would start later in the season and finish in mid-November.

Another intersection that would be impacted and would be inconvenient for a six-week period was at Avon and Rochester. They would close Avon east and west through the intersection. It would start in mid-June (now July) and last about six weeks. The City asked them to start a little earlier so it was not being done at the same time as the South Boulevard intersection, but because of school and the busses, the Road Commission did not want to start earlier. Shortly after school ended, they would start that work.

Mr. Davis said that other than that, there were a couple of smaller projects in the City. There would be right turn lane extensions on Brewster at Walton and on Adams at Butler. There was already a pre-construction meeting, and the start date would be April 25, and the completion date would be June 3rd. There was a Special Assessment District (SAD) to pave the gravel roads for Norton Lawn and Hickory Lawn north of Auburn, which was starting April 18th. Council had put a moratorium on SAD projects to evaluate budgeting differently and how much the City was really contributing. SADs were resident-initiated, and if there were a few, it became very expensive, because the City covered about 60% of the construction and all of the design.

Mr. Davis noted that the City Hall parking lot was being removed and replaced. It started on April 13th, and the milling had been removed from the south lot. He mentioned that millings from parking lots were being used in other areas. Mr. Schneck, the Director of DPS/Engineering, had

been working with Rochester College to provide millings for a Trail connection, for example. Ms. Roediger, Manager of Planning, had been working with a developer who was doing a subdivision south of Harding (south of Helmand). The City wanted to get a connection to the Clinton River Trail from that area to benefit Rochester Hills and Rochester residents. They would use some of the asphalt millings to make that connection. Mr. Anzek added that the Paint Creek Trail surface was done with millings. Mr. Price observed that it had held up very well, and Mr. Davis agreed that it was a good way to reuse resources.

Ms. Janulis asked about the turn lane at Butler, and clarified that there would not be a light. Mr. Davis said that if Auburn Hills paved its section of Butler, there would be a lot more traffic, and it probably would justify a signal. It had been in the City's CIP for years in case that happened. Ms. Janulis noted that the schools did not have representation on the LDFA lately, but she was asking on behalf of them. The busses could not turn left onto Adams, and they did not want to go through Auburn Hills, so they went right. They rerouted the whole area to accommodate, because they knew they could not make a left turn onto Adams.

Mr. Davis said that it had been close to meeting warrants for many years. He indicated that it would be an expensive project when it was done because of the hills and site distance constraints in that area. It would involve road widening on Adams up to Avon, so it would not be a minor project.

Ms. Janulis observed that there had been some pothole filling around Hamlin and Adams, and she claimed that it made a big mess. She asked if that was all that would happen to that area. Mr. Davis said that it might be all that was done to maintain the roadway, but he was working on an irrigation system in that area. They hoped to have it constructed in late summer. The City had only budgeted to construct irrigation on the Adams Boulevard sections north and south of Hamlin, and they actually budgeted a lot more than the costs had been in the last couple of years. They had the ability to add another section on Hamlin west of Adams which was under the County's jurisdiction. It was the City's intent to install irrigation systems on boulevard median areas, and he felt that they could do that project within this year's budget.

ANY FUTHER BUSINESS

Ms. Valentik advised that 3499 W. Hamlin, the old VW building, had been sold about six weeks ago. Molex, which was currently in Auburn

Hills, purchased it. They planned to move their operations and make it their North American headquarters for transportation. The building was 120k square feet, and they were going to add 10k square feet for lab space. They could grow to up to 400 people in the facility. She was working with the Road Commission and the State to see if Molex was eligible for transportation and economic development funds to fix the stretch of Hamlin that the Road Commission currently owned. She added that those funds typically covered 80% of the improvements.

Ms. Valentik also shared an update of the pathway connection by Hi-Lex. Last year, she advised that the Rochester Hills Executive Park Association Board for Technology and Research was looking to create a more defined pathway for employees within the Park and even the public that cut through the Park to access the Clinton River Trail. Hi-Lex had seen an increase in pedestrian traffic through their parking lot to get to the Trail. The Association came to the City and asked if they created a pathway from Research to the Trail and they paid for and maintained it if the City would help create the final link. The LDFA approved spending up to \$10k for the connection. Mr. Davis had been working with General Development, the management firm for the Park, to create the pathway this summer.

Ms. Janulis thought that General Development was the same company that wanted a new sign. Ms. Valentik agreed that they did, but they had not submitted an application yet. The LDFA put the entranceway grant program funds back into the budget. General Development wanted to put an entrance sign into the Park on Adams. Staff could not allow them to put a sign in the Trail right-of-way - it needed to be on private property - so they were working out the details.

Chairperson Slavik asked if there was a swale by the connection to the Trail that would have to be a bridge. Mr. Davis advised that it would be a culvert not a bridge.

NEXT MEETING DATE

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

ADJOURNMENT

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

Respectfully submitted,

Stephan Slavik, Chairperson
Rochester Hills
Local Development Finance Authority

Maureen Gentry, Secretary