



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

Wednesday, January 20, 2016

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

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

ROLL CALL

Present 6 - Michael Kaszubski, Darlene Janulis, Jeremy Brown, Donald Price, Peter Provenzano and Stephan Slavik

Absent 2 - Michael Damone and Michael Ellis

Quorum present.

Also present: Ed Anzek, Director of Planning and Economic Dev.
Pamela Valentik, Manager of Economic Dev.
Kurt Dawson, Director of Assessing/Treasury
Paul Davis, Deputy Director, DPS/Engineering
Joe Snyder, Sr. Financial Analyst, Fiscal Dept.
Mike Hilfinger, SCS
Maureen Gentry, Recording Secretary

APPROVAL OF MINUTES

[2016-0010](#) October 8, 2015 Regular Meeting

A motion was made by Janulis, seconded by Kaszubski, that the October 8, 2015 Regular Meeting Minutes be approved as presented.

Aye 6 - Kaszubski, Janulis, Brown, Price, Provenzano and Slavik

Absent 2 - Damone and Ellis

COMMUNICATIONS

There were no Communications presented.

NEW BUSINESS

[2016-0009](#) Request for Approval of the 2016 Meeting Schedule

MOTION by Provenzano, seconded by Janulis, that the Rochester Hills Local Development Finance Authority hereby establishes its 2016 meeting schedule at the January 20, 2016 Special Meeting as follows:

January 20, 2016 (Special Meeting)

April 14, 2016

July 14, 2016

October 13, 2016

A motion was made by Provenzano, seconded by Janulis, that the 2016 LDFA Meeting Schedule be approved.

Aye 6 - Kaszubski, Janulis, Brown, Price, Provenzano and Slavik

Absent 2 - Damone and Ellis

CONTINUED BUSINESS

[2016-0011](#) Site Improvements for City-owned properties at 1544-1600 Hamlin Rd.

Mr. Anzek recalled that at the October 8, 2015 meeting, the members discussed a potential offer to buy the Hamlin Rd. property. Ms. Valentik and Mayor Barnett continued to work with the company, and on Christmas Eve, the City received a purchase agreement for the entire 15 acres. Part of the offer involved the LDFA's commitment to spend monies to prepare the site. The LDFA Board authorized up to \$750k however, the Mayor and Ms. Valentik negotiated the limits to be 20% of the purchase price on projects for site improvements. A list of projects that staff had identified was provided in the packet so that they might prioritize. He noted what the offer was per square-foot, but there were some differences in opinion about exactly how much land was there. The company offered it at 14.6 acres, but the City believed that it was approximately 15.2. They determined LDFA monies in the range of \$420k to \$440k per the size. Staff hoped to get the LDFA's support to commence with some of the projects. The City would not do some things, however, until they had a set deal. If the deal fell apart, they wanted to make sure the things they did would make the site attractive for another buyer. Mr. Anzek asked Mr. Hilfinger of SCS to discuss the eligible expenses, noting that there were things they had to do while the City owned the property, and some that

would be done after the sale.

Mr. Hilfinger explained that under the LDFA Act in the State of Michigan, as long as it was publicly owned property, LDFA funds could be used for any kind of site preparation, such as tree clearing, surveys, environmental assessments, soil work, etc. Once the ownership transferred to private, LDFA funds would have to be for more of a public use and for the benefit of the district and the community as a whole. He gave an example of moving a water main, removal of storm system and trail work through the property as LDFA projects that could be done on private property. They were trying to figure out how many dollars should be used pre-closing, and how much afterwards. The company would bring jobs and investment to the community, but they still wanted to make the property more marketable for another buyer - in case. Post closing, LDFA funds could be used for public infrastructure to benefit the community.

Ms. Janulis asked when they would be advised of the new property owner, or when the sale would be completed. Mr. Anzek said that the company had a six-month due diligence period in the contract. The City wanted to keep it confidential and not risk pressure from other real estate agents. The plan was that the company would build its campus on the Hamlin Rd. property and bring two other divisions from southeast Michigan. There would be two divisions remaining in Florida. He stated that it would be a real plus for the City, with 225 jobs.

Ms. Valentik advised that it was a company currently in town with which the City had a good relationship. Staff had toured their facility and felt comfortable from a zoning and Ordinance standpoint that they would be a good neighbor. The local representatives were very excited. They were in the attorney-to-attorney negotiation phase of the process, and City Council had not even seen the purchase agreement.

Ms. Janulis assumed it would be approved by June or July. Ms. Valentik said that it was the City's target to bring the purchase agreement to City Council in February, and hopefully, have a signed agreement in February or March. The company was asking for up to 180 days for an inspection period and to secure site plan approval. That would give the City a window to try and use some of the pre-sale, eligible expenses while the City maintained ownership. She indicated that once a purchase agreement went to Council, it became public, but they would still have to get to closing.

Mr. Anzek remarked that it was a great company. They dealt in metrology, which was the science of measuring, lasers, optics and defense. It was not a manufacturing plant; it was a creation plant. What they built in a week could be taken away in the trunk of a car. They created very finite equipment; for example, they put a machine together to measure the smoothness of the cam shafts that went into Dodge small engine cars. The smoother they got the cam shafts, the longer the engine lasted. They used a wire that was not visible to the eye that would go through crevices and read the roughness. They also had a machine that photographed fuel injectors for Volkswagen. It was a great company to have abutting the residential across the Trail, because there would be no noise. There would predominately be engineers and scientists working. Ms. Valentik added that the average salary would be \$85k for the new jobs created, and that it would be great to keep them in town.

Mr. Anzek noted that staff had identified the removal of road grindings as one of the eligible projects. The western portion of the property had been used as a place to put grindings from various road projects when asphalt was removed. The property was unlevel, so removal would flatten out the surface. He was not sure what that would cost. He mentioned that the ALTA survey would give them an elevation difference from the one done in 1999, and it would give a better estimation of the cost.

Chairperson Slavik asked if the grindings would be recyclable and if they could go to the batch plant, and Mr. Anzek believed they could. Mr. Anzek said that a suggestion was made by one of the engineers doing the survey that it could be used for base material for trails in Riverbend Park.

Ms. Valentik reminded that the list was the City's first estimate of eligible expenses for the LDFA to review and comment. The City's negotiations with the company included that they would make 20% of the sale price available. The total dollars for the list was higher than the \$420-440k promised, but some of the things could come in higher or lower, or there could be things they decided not to do at all. Mr. Anzek said that the detention basin system and rain garden were not high priorities for the Engineering Department, because it would cause ongoing maintenance. They might avoid that \$250k expense.

Chairperson Slavik asked if it would be an offsite retention basin or part of the parcel. Mr. Anzek advised that the basin there now was used by two separate entities to the west. If they opened the space between the two and added to it, it should be retention for three components, which could become the City's system to maintain.

Mr. Brown asked if the road grindings came from other entities if a portion of the cost would be paid by them. Mr. Anzek did not believe so. Mr. Davis stated that it would come from DPS regardless. The property was owned by the Water and Sewer Fund and at one time, the City thought they wanted the property filled and the site raised, but that was not the desire any longer. He suggested that it would come out of the Local Roads Fund.

Mr. Provenzano considered that as he looked at the breakout of the pre and post-closing costs, and he realized the City had every intention of going through with the sale, it appeared that the list was designed so that should the sale not go through, the money spent on the pre-sale closing would be land prep for the future. Mr. Anzek agreed it would make it more marketable. Mr. Provenzano observed that it was not as if they would be wasting money. Mr. Anzek agreed that they were things that had to be done anyway.

Ms. Valentik advised that if the motion was supported, it would be forwarded on to Mr. Staran, the City Attorney, who was working with the company's attorney to put together a clause in the purchase agreement that would address the LDFA expenditures. The attorneys were currently only in discussions.

Chairperson Slavik said that with regards to removal of grindings and footings on the list, he thought that when Lettica moved out of the property and the building was demolished, that everything was supposed to be vacated. Mr. Anzek noted that the City demolished the building with LDFA money in 2005, but no one recalled if the footings were removed. Mr. Anzek advised that once the grindings were removed, the site could be probed for footers and foundation. Chairperson Slavik assumed that if someone had a demolition contract, it would include removing footings. Ms. Valentik clarified that was why it was listed as a potential expense, and there was a good chance it would come off of the list.

Chairperson Slavik asked if the eligible expenses price was a "not to exceed" number. Mr. Anzek agreed it would not go over 20% of the purchase price. Ms. Janulis pointed out that the LDFA had voted initially to expend up to \$750k. Chairperson Slavik noted that \$750k was based on the sale price of the land, and it had already been knocked down \$.50 per square-foot.

Chairperson Slavik stated that it would be great to see something built

there. He asked if they were asking for tax credits. Mr. Anzek agreed that a tax abatement would be involved, but they would still be paying 50% of the taxes. The estimated cost of construction was around \$19 million. Mr. Provenzano clarified that it would be 50% of new taxes the City was not currently collecting.

Hearing no further discussion, Ms. Janulis moved the following, seconded by Mr. Kaszubski:

MOTION by Janulis, seconded by Kaszubski, that the Rochester Hills Local Development Finance Authority hereby approves up to \$600,000.00 for eligible expenditures (as listed in Exhibit A) for public improvements to the City-owned property at 1544-1600 Hamlin Road in support of the possible sale of the property.

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

Aye 6 - Kaszubski, Janulis, Brown, Price, Provenzano and Slavik

Absent 2 - Damone and Ellis

Chairperson Slavik stated for the record that the motion had passed unanimously. Mr. Anzek concluded that there might be correspondence by email or a special meeting if the need arose and projects needed to be discussed further. Ms. Janulis felt that it was a good idea to give the members a heads up if they were not familiar with the property. They could do a drive through before coming to the meeting. She indicated that she was familiar with the Hamlin property, having been involved with the schools' previous plans for a bus garage that did not work out.

Ms. Valentik stated that she was very excited, because it was a project she had been working on for a long time. She noted that it was the LDFA that funded her trip overseas to meet with the company's CEO and Vice President of Real Estate two years ago, and she felt it was a return on that investment.

Ms. Valentik continued with other economic development news, noting that the City closed out the year with some good successes. There were ten new and existing companies that came to town or expanded. There was over \$20 million in capital invested and 220 new jobs and 75 jobs retained. From a real estate standpoint, the industrial rates were rising, and Mr. Dawson advised that they were up 6%. The rental rates had jumped 20% in the last year as well. There was a 3.7% vacancy rate in

the industrial/technology parks. There had been some building sales in the LDFA district: A building on Waterview sold for \$90 per square-foot, and a building on Technology recently sold for \$91 per square-foot. That did include some office, but it was a very high amount for industrial. For all activity, including retail, the City was at a 5.9% vacancy rate, which was the lowest it had been.

Ms. Janulis thought that was impressive, considering that the mall on Marketplace Circle seemed to be pretty empty. Mr. Dawson agreed, and said that part of the center went back to the bank in foreclosure. Ms. Janulis asked if that was included in the vacancy rate, and Ms. Valentik confirmed that it was. Mr. Dawson said that it was interesting that at Rochester and Auburn, the retail spaces filled up quickly at very high rates. Ms. Janulis agreed, and said that they were building more little sections here and there. She noticed that the old K-Mart building was empty, so that made the vacancy rate even more surprising. Someone mentioned hearing that a Costco was going in that space, but Mr. Anzek claimed that it was just a rumor. He and Ms. Valentik had met with the new owners who bought it for \$6.8 million. They needed to seek higher-end clients, and there would probably be two or three tenants occupying that space. The building was obsolete and hard to heat, so he thought it would be knocked down. The owner wanted to approach the Genesis bank and the Speedway on the corner about buying them out and doing something similar to the Village of Rochester Hills. Ms. Valentik mentioned that she had a conference call scheduled later about the VW building on Hamlin, which had been empty for two years. It was 120k square-feet, and she would be talking with a company that was interested in purchasing it. She hoped to have something to announce at the next meeting.

Mr. Dawson advised that the LDFA revenues for 2015 were about \$790k due to the capture. Under Proposal A they were limited in the growth of taxable value for the year 2016 to a .3% increase in the revenue stream plus any new construction. He indicated that new construction would become more important as far as the growth of property tax revenue to the LDFA.

Mr. Provenzano asked Mr. Dawson if he had any idea what the blended rate would be, including new construction (taxable value increase in total). Mr. Dawson said that for residential, it would be about 2%, but he had not been able to get a good handle on commercial and industrial new construction the past year that would impact the revenue growth. He further advised that at year end, the bank account was at \$3.4 million.

ANY OTHER BUSINESS

Mr. Davis related that there were some large projects out for bid. It was earlier than they had usually done it, so he hoped to get good rates. The Concrete and Asphalt Programs were out for bid. The Concrete Program included work on Bond and Product Dr. The Asphalt Program would be for the Northfield Industrial Park - Northfield Dr. and Commerce. It was the third year Council had appropriated substantial dollars for the Local Roads Program.

Mr. Davis mentioned that the City was going forward with irrigation projects in the boulevard of Adams north and south of Hamlin. It had been done on Hamlin, and looking at the budget, they might add a portion west of Adams to the west boundary of the City. That would complete irrigation on Hamlin from Livernois to the west boundary of the City. When they did narrower boulevards such as Livernois, trees did not grow, so they started doing irrigation projects.

Mr. Davis noted that the City of Troy had designed plans for South Boulevard between Livernois and Rochester, including the intersection of South Boulevard and Rochester. It was planned to begin in the summer. Troy would like to continue east of Rochester Rd. Another project was for Dequindre, just north of M-59. It was supposed to go up to Auburn, but the Road Commission decided it was too large and split it into three projects. The other two would go next year.

Chairperson Slavik asked if they were going to do anything with the intersection of M-59 and Dequindre, observing that people actually exited onto South Boulevard. Mr. Davis was not aware of any plans. Ms. Janulis asked if they would be widening Dequindre, noting that it would be important for the hospital in that area. Mr. Davis said it would be widened to five lanes - eventually up to Auburn.

Mr. Davis said that MDOT would be repaving the intersection of Rochester and Avon in the summer, and some of the work had started. They would shut down traffic on Avon going through the intersection. Ms. Janulis joked that it was a good thing Costo was not going in.

Mr. Davis claimed that for several years, the Engineering Dept. had been going through a succession, which would continue. There were a number of employees with decades of seniority that were retiring. The turnover had been going on for the last few years, and there was a lot of

institutional knowledge leaving. For decades, there had been three inspectors who basically helped develop a lot of the private projects in the community. One left a couple of years ago, one was leaving in March, and the third one would be leaving in a few years. It provided opportunities to hire new people, but they were losing a lot of knowledge. People knew where the infrastructure was. They were trying to do what they could to take advantage of that before they left, but it was a challenge. They would have to create a core of the next batch of 40-year employees.

Mr. Davis did not recall getting into much detail about the NOCWA initiative (North Oakland County Water Authority) previously. As much as a road project, that initiative would affect business owners in the LDFA district. For years, the City had been a tier one customer for the City of Detroit. That meant Rochester Hills was a direct customer, negotiated its own contract with Detroit and had an individual water rate assigned to the community. They had discussed water storage within the community, which did not happen, but Council wanted the benefits of water storage and lower water rates. With NOCWA, they would indirectly be taking advantage of water storage in Pontiac with other communities participating as a regional authority. It had allowed the City to decrease its revenue requirement owed for purchasing water throughout the year by about \$1 million. The City was now a tier two customer as part of NOCWA and would continue to save a lot of money. The City did not have to give up authority of its system, and each community in the authority was responsible for maintaining its own system. As a group, the communities were able to cooperatively work and pay less for water.

Mr. Anzek asked if there was any kind of mutual aid agreement, such that if there was a water main break in Pontiac, the City's crews could assist. Mr. Davis agreed that the City would probably do that, as it was part of a larger mutual aid group. It was not as strong as the Fire Department mutual aid, but Rochester Hills had done things for other cities. The City had an emergency connection planned for Tienken Rd. between Adams and the west City boundary. He stated that it was good to have, and in case one of the feeds from Detroit was affected, they could pull water from Auburn Hills. He added that they had a couple with the City of Rochester.

Ms. Janulis commented that Tienken Rd. was beautiful. She thought that the roundabout on Livernois was very interesting. Mr. Davis was curious about who might like it. Ms. Janulis said that she did, and she liked the interior design. Mr. Davis said that he went through it every morning to go south on Livernois, and his only complaint was that people did not slow

down.

Ms. Janulis said that now that they had figured out how to improve the center of the roundabout, she wondered if there was any talk about doing the interiors for the really old ones, such as on Firewood. Mr. Davis said that it had been discussed, but the City had been focusing on the roundabouts on the mile roads (more heavily traveled).

NEXT MEETING DATE

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

ADJOURNMENT

Hearing no further business to come before the LDFA Board, Chairperson Slavik adjourned the Special Meeting at 8:15 a.m.

Respectfully submitted,

Stephan Slavik, Chairperson
RH Local Development Finance Authority

Maureen Gentry, Secretary