

MEMO

ASTI Environmental

Date: April 15, 2021

To: Sara Roediger, City of Rochester Hills
Pam Valentik, City of Rochester Hills
City of Rochester Hills Brownfield Redevelopment Authority
City of Rochester Hills City Council

From: Tom Wackerman

Subject: Addendum to Memo Reviewing Amendment #1 to the 381 Work Plan for Redevelopment of the Northeast Corner of Hamlin and Adams Roads, Rochester Hills, Michigan (ASTI files No. 9675-21)

Following our reviewⁱ of Amendment #1 to the 381 Work Plan (the "Amended 381 Work Plan")ⁱⁱ, the applicant provided additional information on the operation and maintenance cost assumptions for Parcel B. This additional information changes our recommendations for the Amended 381 Work Plan as described below.

The original assumptions for Parcel B operation and maintenance costs (O&M) included in the Brownfield Planⁱⁱⁱ and the Updated 381 Work Plan^{iv} were for \$30,000 annually for 30 years, for a total of \$900,000. The Amended 381 Work Plan changed this amount to \$720,000, continued to base the budget on \$30,000 per year, reduced the period to 24 years to be consistent with the plan duration, and reallocated the remaining budget to other approved costs. Our response was that O&M was critical to the successful use of Parcel B, and that the full 30 year cost should remain. ASTI therefore recommended that the total amount remain at \$900,000 and not be reallocated.

Following that recommendation, the applicant's consultant provided additional information that indicates O&M costs are estimated at \$24,000 per year as indicated below. ASTI recommended that this be maintained for 30 years, and that it include an annual inflation adjustment. The applicant's consultant extended the costs to 30 years and included an annual adjustment of 0.5%. Although the method for estimating the total amount is different than provided in the Amended 381 Work Plan that was reviewed, the total budget for Parcel B O&M would be the amount included in that plan at \$720,000.



10448 Citation Drive, #100
P.O. Box 2160
Brighton, Michigan 48116
Phone: 810.225.2800 Fax: 810.225.3800

O&M Parcel B		
Estimates from Applicant		
	<u>Annual Reserve</u>	<u>30-Yr Reserve</u>
Inspections and Misc. Repair	\$17,383	\$521,475
Reporting	\$1,840	\$55,200
Contingency for Repair/Replacement	\$2,883	\$86,501
Inflation Adjustment	<u>\$1,894</u>	<u>\$56,824</u>
Total Above	<u>\$24,000</u>	<u>\$720,000</u>

30-Year cost assumes 0.5% inflation

Based on discussions with the applicant's consultant, the reserve estimate provides costs for three activities:

1. Inspections and miscellaneous repair costs are primarily for vent monitoring as required by EGLE, but also include inspection of the cap, and periodic removal of unacceptable vegetation. The inspection costs are based on the assumption that the initial frequency of inspections will continue for 30 years. However, this frequency can, and most likely will, be reduced in future years based on monitoring results.
2. Reporting costs are primarily for annual reports of vent monitoring. Annual reporting is assumed to be required for the duration of the plan.
3. Contingency costs include erosion repair and reseeding, vent repair, and other repair and replacement, as required. These costs are not for any specific task, but are provided in the event that repair and replacement of a portion of the cap or vent system is necessary.

The inspection and report costs are reasonable, especially when considering reductions in monitoring frequency that will likely be implemented in the future. Assuming that the major costs to be included in the contingency are for erosion repair and reseeding, ASTI estimates that this cost could be \$30,000 to \$60,000 over the 30 year period^v, which can be covered by the estimated 30-year reserve above, and are therefore also reasonable.

In addition to the above cost changes, as recommended in the March 26 memo, the applicant edited the Amended 381 Work Plan to remove the description "for at least a total of 30 years" in Section 3.1.1.7 in order to be explicit about requiring operation and maintenance beyond the Amended 381 Work Plan.

The applicant's attorney also recommended that reimbursement for Parcel B O&M in years 25 to 30 not be addressed as a change to the plan, but that an agreement be developed and approved by counsel, Developer and the City to fund Parcel B O&M in years 25 to 30 from the Local Brownfield Revolving Fund. One objective of this approach was to eliminate the need to amend the existing agreements associated with the project.

Therefore, ASTI recommends that the Amended 381 Work Plan be submitted to EGLE for review and approval, assuming the following.

1. To assure the maximum duration for operation and maintenance on Parcel B, the modified cost of \$720,000, which is based on 30 years at an average of \$24,000 per year, not be reallocated to other eligible activities; and
2. That if a Local Brownfield Revolving Fund is established, a written agreement be developed and approved by counsel, Developer, and the City to provide reimbursement of Parcel B operation



10448 Citation Drive, #100
P.O. Box 2160
Brighton, Michigan 48116
Phone: 810.225.2800 Fax: 810.225.3800

and maintenance costs for years 25 through 30 of the plans from that Local Brownfield Revolving Fund. This agreement should include the following:

- a. reimbursement for Parcel B operation and maintenance costs at a not-to-exceed amount of \$144,000, based on \$24,000 per year for years 25 to 30 of the plans, from the Local Brownfield Revolving Fund;
- b. the applicant would not seek reimbursement under the approved Brownfield Plan or 381 Work Plan for Parcel B operation and maintenance costs for years 25 to 30; and
- c. the total amount of reimbursement for eligible costs (not including interest) under the approved Brownfield Plan and 381 Work Plan would be reduced by \$144,000 to a maximum of \$9,475,587.

ASTI restates the following additional recommendations from the March 26 memo.

3. All of the tax capture assumptions in the Brownfield Plan, Updated 381 Work Plan and Amended 381 Work plan include annual capture of 3% of the tax increment revenues for the Local Brownfield Revolving Fund. Although not illustrated in the Figure 3 in the Amended 381 Work Plan, the City can also capture up to five years after the end of the reimbursement in year 24 for capture of school and local incremental taxes (up to a maximum permitted for school tax capture) for the Local Brownfield Revolving Fund. ASTI recommends that the City immediately establish a Local Brownfield Revolving Fund to capture these incremental taxes to fund future Brownfield assessments and remediation at other properties in the City (including Parcel B, if required), and the Amended Act 381 Work Plan illustrate that capture in the tax tables.
4. The Cover Memo references a request for approval by the RHBRA, and the cover of the Amended 381 Work Plan includes a date for such approval. Our review of Act 381 confirms that the RHBRA is not required to approve the Amended 381 Work Plan, but can review it and make recommendations to EGLE for approval. ASTI recommends that any comments or requests for revision that are not addressed at the RHBRA meeting be presented to EGLE in a memo to be considered during their review.

Please contact me if you have any questions, or need additional information.

ⁱ Refer to the ASTI memo dated March 26, 2021 and titled *Review of Amendment #1 to the 381 Work Plan for Redevelopment of the Northeast Corner of Hamlin and Adams Roads, Rochester Hills, Michigan*

ⁱⁱ Titled *Act 381 Work Plan, Amendment #1 to Conduct MDEQ Environmental Activities, Legacy Rochester Hills Redevelopment Project, Northeast Corner of Hamlin and Adams Roads, Rochester Hills, Michigan 48309* and dated March 8, 2021

ⁱⁱⁱ Dated April 9, 2021 and approved at a City Council meeting on April 23, 2018

^{iv} Dated May 9, 2018 and approved by the EGLE on June 14, 2018

^v Assumes 10% of the surface area requires repair once every ten years. Based on RSMeans estimates for Michigan.

