



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, October 13, 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 6 - Michael Kaszubski, Michael Damone, Darlene Janulis, Donald Price, Peter Provenzano and Stephan Slavik

Absent 2 - Michael Ellis and Jeremy Brown

Quorum present.

Also present: Ed Anzek, Director of Planning & Econ. Dev.
Paul Davis, Deputy Director of DPS/Engineering
Allan Schneck, Director of DPS/Engineering
Joe Snyder, CFO, Finance Department
Pamela Valentik, Manager of Economic Dev.
Maureen Gentry, Secretary

APPROVAL OF MINUTES

[2016-0415](#) July 21, 2016 Special Meeting

Hearing no comments or objections, Chairperson Slavik announced that the Minutes were approved as presented.

Approved

COMMUNICATIONS

There were no Communications presented.

ONGOING BUSINESS

[2016-0011](#) Update on JENOPTIK Automotive/Hamlin Rd. Development

Ms. Valentik passed out a rendering of the new JENOPTIK building,

noting that they had pushed back their target date to May 2017. They were working on phase 1 and had laid the pad for the 2nd phase. She felt that was positive, because it showed that they were quite serious about adding the additional 40,000 square feet onto the back of the phase 1 building. She advised that they had already incurred some of the expenses they had anticipated were eligible for LDFA reimbursement.

Mr. Anzek introduced Mr. Allan Schneck, the City's Director of DPS/Engineering. He also introduced Mr. Joe Snyder, and announced that he had been recently appointed as the CFO for the City. With regards to JENOPTIK, Mr. Anzek noted that they had submitted a list of projects and pricing. The City was a little shell shocked at first glance, because the water main was listed at \$388,000, when it was estimated to be from \$112-150,000. Staff started discussing what type of records were needed from JENOPTIK in order to pay the bills so that when the City went through an audit next year, everything had been documented correctly. Mr. Snyder questioned the City's consultant from Plante Moran about it, and he was advised that there had to be proof something had been paid by JENOPTIK and detailed invoices with unit costs for materials and labor. After reviewing the purchase agreement, the auditor pointed out that one thing missing was that there was no proof or guarantee that the LDFA would pay what it promised. It was not in the purchase agreement, and City Council would be on the hook for payment if the LDFA changed its mind. The auditor suggested getting a signed Memorandum of Understanding (MoU) for the file stating that the LDFA would accept responsibility.

Ms. Janulis asked if there had been any changes to the project or dollar amount. Mr. Anzek confirmed that there had not; at the last meeting in July, the LDFA approved an amendment to pay for cement that had been discovered and had to be removed. He passed out a MoU he had prepared, and said that he hoped for a motion to approve, which authorized Chairperson Slavik to sign on behalf of the members.

Mr. Snyder related that the auditor was concerned because at the end of year when they looked at all the liabilities, if the money was not spent, it would become a City liability. LDFA was a quasi-unit, or not quite a piece of the City, so the MoU would put the liability with the LDFA. Mr. Snyder maintained that it was wise to take care of it before the end of the year. Ms. Valentik said that it also helped answer why a check from the LDFA was cut to JENOPTIK. It was another support avenue, beyond motions and discussions made at earlier meetings.

Chairperson Slavik asked what amount was budgeted for the water main. Mr. Anzek said that there really was not one listed, but staff had estimated about \$200,000. As long as the number posted in the MoU was not exceeded, they could move numbers back and forth. They thought the amount for the concrete removal would be \$21,000, but it actually came to about \$9,500. They had spoken at the last meeting about the glitches they had found with construction, one being that the sanitary sewer leads were not provided to the site as the purchase agreement attested. Engineering informed that the City was pursuing installing them. They went out for RFPs, because JENOPTIK's contractor came back with too high an estimate. Engineering put together two RFPs for fixing the water main and for putting in sewer leads, which came in last week. Mr. Anzek said that it was questioned whether the LDFA would be paying for that. Mr. Davis had suggested that it should come out of the Water and Sewer fund, because they appreciated the annual donation the LDFA made to the Road Program.

Ms. Janulis said that the MoU looked as if it were in order. She was actually surprised that they needed it. She assumed that how they voted would be in the budget records, and that would carry forward so that the MoU would not be needed. Mr. Anzek said that it would help even if someone wanted to do a lot of searching through the Minutes. Ms. Janulis felt that it was fine. She had been through enough audits with the school district to know that anything they could do to alleviate getting a "mark" in the letter would be cleaner. She did not have a problem with it, she was just a little surprised they needed it.

Mr. Damone noted that the first paragraph said that they were going to allocated \$497,000. The third paragraph said that the LDFA Board approved expenditures up to 20% of the purchase price. He asked if that conflicted with the \$497,000 amount, or whether they even needed to have 20% of the purchase price stated. If they took 20% of the purchase price, he wondered if it exceeded the \$497,000 amount or if it was less. Mr. Anzek said that 20% of the purchase price was \$476,894 shown in the first line of the fourth paragraph. Mr. Damone said that the LDFA Board approved \$497,000, and he wondered if it was necessary to define 20% of the purchase price. Mr. Anzek did not think so, in that they always approved "as amended." The MoU showed that at the July 21st meeting, it went from 20% to an additional \$21,000. It was a paper trail for the auditors so they could see the sequencing. Mr. Damone said that was fine, he just questioned whether there was a conflict between the two numbers.

Mr. Davis thought that one number was firm, and the other number was to be determined. The LDFA approved a firm number (not to exceed). Mr. Davis said that the other number was "up to 20% of the purchase price," which was not firm. They did not know what that would ultimately be, but they did know what the LDFA approved.

Ms. Valentik said that a lot of the reasoning behind the MoU was to make sure that they had documentation that coincided with the language in the purchase agreement to make sure they were clearing the City.

Mr. Damone stated that he did not have a problem with the MoU; he was just questioning whether there was a conflict between two sections. Mr. Anzek said that was one of the reasons he asked for more specific breakdowns in their costs. They could not just give a lump sum. Mr. Damone said it would be fine as long as when the auditor looked at it, the same issues were not raised.

Mr. Kaszubski said that it was almost like they were not reading it in sequence. It said that there was a not to exceed amount of \$497,000, and then it kind of went back in time and said that the LDFA Board approved 20% of the purchase price or \$476,000 and then they added \$21,000 to get to the \$497,000. He could see what Mr. Damone was saying. They could almost flip the paragraphs if they wanted to word smith, and then it would be in a more linear thought.

Mr. Provenzano agreed that it seemed a little confusing. He wondered if it would be helpful to clarify. If they put in the first sentence of the third paragraph, "The two parcels are located within the LDFA district. As such, the LDFA Board approved expenditures up to 20% of the purchase price and then they could put \$476,894 in parentheses. That would tie it together, because it was hard to determine which one it should be. He wondered, reading it, if it was 20% of the purchase price or \$476,000, although it was really one and the same. He thought that if people read the original MoU, they would be lost, and he thought it would be good to clarify. Chairperson Slavik asked if they should amend the \$21,000 to \$9,500. Ms. Janulis thought they might need it for something else. Mr. Anzek said that he would rather keep it budgeted. He stated that there was no way they would spend more than \$476,000 on eligible projects; the concrete was a surprise. Ms. Janulis said that the Minutes would reflect the \$21,000, and if it were changed to \$9,500, the auditors might question where that came from.

Mr. Damone said that he did not want to belabor, but the first paragraph

said, "would be responsible for the amount committed to in the purchase agreement for the sale of City-owned land." He indicated that the amount committed to in the purchase agreement was inconsistent with the 20%. Ms. Valentik said that she could see what he was saying. Mr. Damone suggested saying that "The LDFA will be responsible for \$497,000" and simplify it. Mr. Snyder suggested revising the third paragraph as follows: "The two parcels are located in the LDFA district. As such, the LDFA Board approved expenditures for pre-sale preparation and post sale," and eliminating "up to 20% of the purchase price." Ms. Valentik said that she agreed. Mr. Damone maintained that the 20% was irrelevant. Ms. Valentik advised that \$497,894 was exactly what was in the purchase agreement. Ms. Janulis recapped that they would amend it to remove "up to 20% of the purchase price" from the third paragraph and eliminate the last sentence of the first paragraph to remove redundant language.

Mr. Damone stated that whatever they approved would become the record, and although the members knew what they meant, someone looking at the MoU four or five years from now who did not have the background and experience would not.

MOTION by Damone seconded by Janulis, the Rochester Hills Local Development Finance Authority hereby approves the Memo of Understanding as amended per the discussion at the October 13, 2016 LDFA meeting.

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

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

Absent 2 - Ellis and Brown

Chairperson Slavik stated for the record that the motion was approved as presented.

Ms. Valentik mentioned that when they were going through negotiations with JENOPTIK, they had gotten legal advice from Dickenson Wright on how everything could be handled, but they had not talked with the City's auditors to identify how to properly document. They assumed they could do it through Minutes and motions, but the MoU would better cover everything. She agreed that, in four years when they might not be here and someone asked why an expense was made, they would have a number of recourses to point to, including the MoU.

2008-0355

Update on Research Dr. Trailway Connection

Ms. Valentik next discussed the Research Drive trail connection, which she noted was also in the 2016 budget. The Rochester Hills Executive Park had approached the City with a couple of ideas they were looking at, one of which was to build a pathway connector that would run through Hi-Lex's property to access the Clinton River Trail. For a period of time, people had been cutting through their parking lot to access the Trail. They wanted to find a means to get people out of their parking lot so they did not have to worry about traffic. Hi-Lex reached out to the Park Association, which was managed by General Development, and the City about doing a connection. It was a good public/private partnership from the standpoint that the Park Association paid for and handled all the engineering to build the connection, which ran from the street up to the property line of the Trail. The LDFA funded the part that the City's DPS team worked on that actually linked to the Trail. She announced that it was complete, and she showed some pictures. She advised that the Park Association would maintain the connector. Ms. Valentik and Mr. Anzek visited the site, and she claimed that it turned out very nicely. She had a retention visit with Hi-Lex earlier in the week, and they were very pleased with the results. They thanked the LDFA Board for helping them with the connector, which they noted had been already used by a lot of people. Ms. Valentik also thanked the members for their support.

ANY OTHER BUSINESS

Mr. Davis commented that the season for road improvements was winding down, so there were not a lot of new updates. He indicated that it was a pretty successful season, and a lot of different areas in the City were worked on. Next year, MDOT would be doing some work on Auburn Rd., and they would be modernizing some of the signals along that corridor. They would also construct a continuous center turn lane between Crooks and Livernois. A lot of that road section already had a turn lane, but there were some areas that were just two lane sections. Closer to Livernois it necked down, and there were some side streets to the north that got a lot of cut-through traffic complaints. He hoped the lane would improve conditions a little bit and keep some of the cut-through traffic off the side streets and instead use the intersection.

Mr. Davis mentioned that the City of Troy and the Road Commission would be doing another stretch of South Boulevard between Crooks and

Livernois. The City would be doing another round of concrete and local road updates next year, but he reminded that doing that in the LDFA district would not be in next year's budget (money allocated to pathway work).

Regarding pathway work in the district, Ms. Valentik noted that the Rochester Hills Executive Park was going to have an annual meeting in November. The City would like to be on their agenda to give an overview or plan of action for installing the pathway along Technology.

Mr. Davis added that they were looking at the west side of Technology. Where they would cross the businesses at each driveway entrance, it might be outside of the right-of-way. The pathway would start eight feet from the back of curb and go to 16 feet away from the back of curb. He believed that the back of curb to the right-of-way was 18 feet. They might want to cross the driveways a little further back. They would have to work with the property owners to figure out an alignment that would work across each of the driveways. Some had landscaping that would be in conflict with the proposed alignment, and there was also signage by some of the driveways. They had not really set a preliminary alignment along the corridor yet, but it would be important to meet with the property owners and find out the level of cooperation so they could finalize and bring it to the LDFA.

Upon questioning by Ms. Valentik, Mr. Davis confirmed that the City would maintain the pathway. He explained that per the City's Ordinance, if it was a five-foot sidewalk, the property owner would have an obligation to maintain it (snow removal, etc.). Because it was a pathway, which was typically eight feet wide and asphalt, the City would maintain all aspects. The original pathway mileage passed in the community would not have allowed the LDFA money to fund the pathway project on Technology. However, the latest version opened it up to recognize that there might be some other important links that could provide connectivity to trailways and major roads. The City had built a number of pathways that were not on the section line roads as the original pathway plan proposed.

Mr. Schneck commented that he did not think that Mr. Davis gave himself enough credit. The construction season was very robust, between public projects, the City's projects and partnerships with the Road Commission and MDOT. There were about \$21 million worth of projects delivered in the City in 2016. The logistics of working with other groups was extremely challenging. There were products to deliver, communications, involvement, including shutting water mains on or off or other conflicts. It

was one of the bigger construction seasons, and they understood that it was an inconvenience. Mr. Schneck said that in his opinion, infrastructure was the driver to the quality of life. There would not be any economic development, good housing stock or a great community without good infrastructure. He complimented Mr. Davis, and said that he and his group did an outstanding job.

Mr. Davis considered that returning to a good economy was wonderful, but for road projects, it was not so wonderful. The day before, they hoped to get multiple bids on the JENOPTIK sewer lead work, but they got only one submittal. The City had been seeing that overall with all sorts of bids. There was so much work out there that the contractors did not have to bid. The competition was not there, although some contractors still had not recovered from going out of business. That was adding another component into Engineering's budgeting, and they had to make sure they got projects out as early as they could. Ms. Janulis noted that she worked for Frank Rewold & Son, and they saw the same thing. She remarked that there were some contractors they did not want back, so that shortened the list even more. She agreed that until the competition evened, it would be a double-edged sword for an economy on the upswing, which might take another couple of years.

Mr. Damone said that he was hearing from his subcontractors that they could not find the people to work, and that was some of the problem. The skilled trades jobs were not being filled, and they could not even find entry level people for those types of jobs.

Ms. Janulis thanked Mr. Davis for coming to the meetings and giving updates. She was better able to address residents' questions and concerns. Chairperson Slavik asked about the work at Rochester High School. Ms. Janulis said that the earth under the stadium was not stable, and it was slipping. It all had to be dug up and redone, and they felt that this time of the year was the best time to do it. The kids were sharing stadiums with Stoney Creek High. Chairperson Slavik asked if the re-configuration would be close to the same. Mr. Schneck felt that the bond issuance had a lot to do with the timing. He went to many of the meetings and he advised that once the bond was approved, the plans and specifications had to be designed. There were different stakeholders in the high school, including the band and arts people. Their room would be extended, and there were some issues internally with the auditorium as far as moving grand pianos from floor to floor. The athletic wing would get bumped out, and the track, which was six lanes, was not big enough for County or regional meets, so they would be building an eight-lane

track. He agreed that the earth was pushing the stands forward. They were going to sheet pile all along there and build an aluminum substrate so people could walk under the stands. People currently had to walk on the track and into the stands, and it was also not ADA compliant. The new field would probably be similar to the one at Adams.

Ms. Janulis said that it would not look much different from the road, but when people were inside, they would know it was brand new. Mr. Schneck added that all the parking lots would be resurfaced, and there would be new water main and sewer work. The City tried to work with the schools on access management to square off one of the parking lots that was angled currently. He believed that there would be \$17 million worth of work at the high school. Three schools at a time over the next five years was the strategy. Ms. Janulis said that if they looked at the original breakdown for the schools and how much each would get, Rochester High was supposed to get \$15 million, which had been somewhat controversial. Adams High parents were upset thinking the money would run out (like the last time), and that they would not get the things they wanted. The reality was that the other schools' bids were \$2.5 million under budget. The project was on time, and if they did not do the high school when they did, other things would not have gotten done this year. She related that they did, however, wait for Homecoming to tear it up.

NEXT MEETING DATE

Chairperson Slavik reminded the LDFA Board that the next Regular Meeting was scheduled for January 12, 2017 (subsequently cancelled).

ADJOURNMENT

Hearing no further business to come before the LDFA Board, Chairperson Slavik adjourned the Regular Meeting at 8:17 a.m.

Respectfully Submitted,

Stephen Slavik, Chairperson
Rochester Hills
Local Development Finance Authority

Maureen Gentry, Secretary

