

- 2016-0273 Request for Confirmation of the Mayor's Appointment of Ryan Schultz to the Planning Commission to fill the unexpired term of William Boswell ending March 31, 2018

Attachments: [071816 Agenda Summary.pdf](#)  
[Schultz CQ.pdf](#)  
[Resolution \(Draft\).pdf](#)

**A motion was made by Hetrick, seconded by Morita, that this matter be Adopted by Resolution. The motion carried by the following vote:**

**Aye** 7 - Bowyer, Brown, Hetrick, Kubicina, Morita, Tisdell and Wiggins

Enactment No: RES0171-2016

**Resolved**, that the Rochester Hills City Council hereby confirms the Mayor's Appointment of Ryan Schultz to the Planning Commission to fill the unexpired term of William Boswell ending March 31, 2018.

## NEW BUSINESS

- 2016-0268 Request for Approval for RARA to utilize a portion of their \$433,000.00 unrestricted fund balance (as of year-end FY 2015) for the purchase and/or development of the building and property located at 480 East Second Street, Rochester, MI

Attachments: [071816 Agenda Summary.pdf](#)  
[Presentation.pdf](#)  
[RARA Letter and Report.pdf](#)  
[Appraisal Report.pdf](#)  
[Resolution \(Draft\).pdf](#)

**Ron Jewell**, Executive Director, Rochester Avon Recreation Authority (RARA), introduced **Dave Word**, RARA's Superintendent of Recreation, and **Sam Ashley**, of Cunningham Limp. He stated that in May of 2012, Council approved RARA's purchase of a 36,000 square foot building, with space for a build out that includes dance rooms, a turf field house, gymnastics wing, preschool room, indoor playscape and party room. RARA's current building is 100 percent built out, and enjoys 450 participants weekly since it opened in October of 2015.

He explained that RARA has been keeping an open dialogue with the owner of 480 East Second Street, who is the same owner as the building they had acquired. By acquiring this building, RARA can create additional recreational activities. The masonry building at 480 East Second Street is 22,500 square feet, with 2,500 square feet of office space, 10,000 square feet of 20-foot high bay, and 10,000 square feet of 25-foot high bay.

Mr. Jewell commented that RARA has envisioned this building as becoming available over the past four years. He stated that in January of this year, RARA was notified that the building's current tenant was not renewing its lease. Subsequently, RARA actively negotiated with the property owner and has submitted a letter of intent.

He pointed out that the appraisal supports the purchase, and Phase 1 and Phase 2 environmental studies were clean.

He explained that RARA's current land contract will be modified to include the purchase. He stated that this will result in 58,000 square feet of space to offer a multitude of recreational abilities. He pointed out that the resulting space will be almost six times larger than the 10,000 square foot building RARA leased prior to 2012. He commented that the RARA Board and Administration feel that this building meets long-term programming goals. He requested Council consider the adoption of a motion to allow RARA to use a portion of its unrestricted fund balance to acquire this building.

**Tamara Williams**, Chief Assistant to the Mayor, stated that Mayor Barnett would like to express support for the project. She commented that the services that RARA provides to the community make it an essential part of why Rochester Hills is a great place to live.

**President Tisdell** commented that RARA is an independent organization, with one-third of its revenues coming from tax dollars.

**Mr. Jewell** stated that 30 percent of RARA's revenues are from tax dollars from Rochester and Rochester Hills. He pointed out that Oakland Township is not currently a part of RARA.

**President Tisdell** stated that Rochester Hills is not a guarantor of debt for RARA. He stated that this purchase is RARA's business decision.

**Mr. Wiggins** stated that RARA did its due diligence to look at all avenues for providing the additional services. He stated that he has asked the Board to request that fund balance be restored as quickly as possible, along with a capital improvement fund. He noted that Joe Snyder, Senior Financial Analyst and Acting Finance Director, reviewed different scenarios; and he stated that based upon a review, everything seems sufficient at this point.

**President Tisdell** commented that he has had a number of conversations with Mr. Snyder as well, and Mr. Snyder expressed his confidence.

**Mr. Kubicina** stated that he is excited about the expansion. He noted that he was a member of the RARA Board when it acquired the building it is in now, and he has seen the programs grow. He commented that the expansion will not merely add revenue, it will add satisfaction for the residents. He noted that the goal is to increase satisfaction and participation for youth. He questioned whether the original buildout came in under budget.

**Mr. Ashley** responded that they did.

**Mr. Kubicina** questioned whether RARA anticipates hiring more people.

**Mr. Jewell** responded that many of the services will be assumed by the eight full-time staff members. He explained that there will be some additional support hours, along with the need for a coordinator/front desk supervisor to direct visitors.

**Mr. Kubicina** questioned how parking needs will be met.

**Mr. Ashley** responded that the building is currently striped for 46 spots; however, the parking count will rise to 90 with the trucking areas removed. He noted that there will be an alley between buildings, and drives will be restricted for circular one-way access allowing for the lot to be restriped for additional spots.

**Vice President Morita** commented that she and her son have taken advantage of RARA's programs over the years and she stated that she loves what RARA does for the community. She stated that she is somewhat disappointed with the information provided to Council, noting that she expected to be told the purchase price. She commented that the resolution does not state how much will be removed from fund balance. She stated that Council is being asked to approve the use of fund balance, with no restriction of how much and no idea of what RARA is asking for. She stated that because of that alone she cannot approve the request tonight.

She pointed out that part of the expansion will be for health club purposes with a goal of 400 members, and she commented that it is not appropriate for any taxpayer-funded organization to compete with small business. She commented that gyms are struggling. As RARA does not pay taxes, it would not be on equal footing with other gyms. She stated that she likes the idea of having basketball courts and suggested that the proposed gym space be transitioned to a third basketball court. She commented that if RARA does not need the amount of millage it is receiving, perhaps a review of its levy should be undertaken.

She pointed out that the appraisal included in the packet does not have a signature page or cover letter, which raises red flags to her. She commented that most appraisers do not allow their cover letters to be removed from the appraisals. She questioned why the appraisal notes 37 parking spaces. She stated that the materials included in the packet were confusing and incomplete.

**Mr. Jewell** responded that the intent is to utilize a portion of fund balance, leaving \$100,000 in the fund balance to the end of the year. He explained that the overall buildout budget is \$463,175. He explained that the exercise component was based on participant surveys, noting that parents can use the recreational facilities while children are busy. He stressed that the recreation area is not intended to be a driving force, and could be considered similar to the playscape used by children while their siblings are taking classes.

He noted that RARA's millage rate has been approved for the next 11 years, and has not changed since 1976. He commented that if revenues exceed expenditures, program fees can be reduced or maintained.

**Mr. Ashley** responded that an old mortgage survey shows 36 parking spots. He commented that a physical count of spaces was done.

**Vice President Morita** questioned how much of the fund balance would be used.

**Mr. Jewell** responded that it is budgeted to use \$333,000. He pointed out that RARA also has \$130,000 budgeted this fiscal year in capital improvements that have not been performed, and he noted that some of this money will be used.

**Vice President Morita** questioned how much fund balance will remain.

**Mr. Jewell** responded that \$100,000 will remain at the end of the buildout.

**Vice President Morita** questioned what constitutes 20 percent of RARA's operating budget.

**Mr. Jewell** responded that RARA has a \$2.4 million operating budget.

**Vice President Morita** commented that RARA will not have 20 percent of its operating budget in fund balance. She questioned whether the draft motion asks for all of the fund balance.

**Dan Christ**, City Attorney, noted that as framed in the motion, it suggests an amount up to \$433,000, and does not specify a sum less than that.

**Mr. Wiggins** stated that he could offer clarity on the fund balance concerns. He commented the Board was comfortable in reducing fund balance to \$100,000 by year end. He pointed out that based on anticipated revenue, there will be an additional \$130,000 to \$140,000 to be added to fund balance by January 1, 2017. He commented that the first priority stressed to the Board is to get that fund balance up to 20 percent as quickly as possible, within one-and-one-half to two years. He noted that if expenses come in higher, things will be put on hold.

**Vice President Morita** pointed out that the appraisal included was done for refinancing.

**Mr. Wiggins** questioned whether the purchase price negotiated could be disclosed at this point.

**Mr. Christ** responded that it can be disclosed to the extent that the item has been communicated and discussed with seller and is out in the open. He stated that closed session discussion is limited, and the price should not be discussed if it was a part of a closed session.

**Mr. Wiggins** responded that it is a reasonable purchase price.

**Mr. Hetrick** questioned whether Council could adjust the draft resolution to include a cap of \$333,000 on the use of fund balance, as this is the amount planned for use.

**Dr. Bowyer** stated that RARA has been a great institution. She questioned whether the projected revenues from fitness and family memberships were unrealistic, pointing out that many places have closed.

**Mr. Jewell** responded that the anticipated addition to fund balance is based on the first building. He stated that RARA surveyed neighboring communities and received input from its clients. He commented that the price point will be a fair number. He pointed out that a fitness area is a driving component of neighboring facilities. He mentioned that the fitness component is a lease which if not successful can be readjusted in a couple of years.

**Mr. Wiggins** pointed out that an aggressive amount is included in the budget as a buy-down lump sum mortgage payment. He commented that this building is being added to the existing land contract. He stated that this lump sum amount could be extracted from that line item and put back into fund balance.

**President Tisdell** questioned whether Mr. Jewell was willing to include language specifying an amount not to exceed \$333,000 into the resolution. He questioned whether purchase price and terms could be discussed at this point.

**Mr. Jewell** responded that RARA has a signed letter of intent. He noted RARA has been meeting with the owner for approximately six months. He stated that the price of the building is \$1,075,000, with a downpayment of zero and the existing principal balance on the current land contract increased. He mentioned that City Attorney John Staran and Rochester Attorney Jeffrey Kragt drafted the agreement.

**Mr. Brown** pointed out that the budget shows an optional \$100,000 investment in the fitness area. He noted that if the fitness membership fails and RARA must still continue to pay for the equipment, it would still be at a break-even point. He commented that any fitness revenues would be to the positive.

**A motion was made by Kubicina, seconded by Bowyer, that this matter be Adopted by Resolution. The motion carried by the following vote:**

**Aye** 6 - Bowyer, Brown, Hetrick, Kubicina, Tisdell and Wiggins

**Nay** 1 - Morita

Enactment No: RES0172-2016

**Resolved**, that the Rochester Hills City Council hereby approves RARA's utilization of a portion of an amount not to exceed \$333,000.00 of their \$433,000.00 unrestricted fund balance (as of year-end FY 2015) for the purchase and/or development of the building and property located at 480 E. Second Street, Rochester, MI 48307.

**2016-0265** Request for Purchase Authorization - DPS/ENG: Blanket Purchase Order/Contract for Adams (north and south of Hamlin Road) and Hamlin Road (west of Adams Road) Irrigation Systems in the amount of \$105,554.00 with a 10% project contingency in the amount of \$10,555.40 for a total not-to-exceed amount of \$116,109.40; Progressive Irrigation, Inc., White Lake, MI

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**Allan Schneck**, Director of DPS/Engineering, stated that tonight's request comprises two projects that were both identified in the Capital Improvement