

MEMO

ASTI Environmental

Date: March 26, 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: Review of 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)

As requested, this memo is a review of the following document.

1. *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* dated March 8, 2021 (the Amended 381 Work Plan).

In addition, the following three documents were provided and reviewed.

2. *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* dated February 8, 2021.
3. Memorandum dated February 8, 2021 and titled *Legacy Rochester Hills Redevelopment Project Northeast Corner of Hamlin and Adams Roads, Rochester Hills, Michigan Act 381 Work Plan Amendment #1* (the Cover Memo).
4. A redlined version of the text only for the May 9, 2018 381 Work Plan incorporating the changes for the February 8, 2021 version.

A preliminary review of the February 8, 2021 version of the Amended 381 Work Plan was completed by ASTI, and a draft review memo was provided to the Applicant's consultant. The items in the draft memo were addressed by the Applicant's consultant, and modifications of the February 8th version were made. This memo addressed only the Amended 381 Work Plan dated March 8th.

Background

This Amended 381 Work Plan would replace the existing 381 Work Plan (the Updated 381 Work Plan) dated May 9, 2018, and approved by the EGLE on June 14, 2018. Please note that ASTI did not review the final Updated 381 Work Plan, but did review a draft dated April 4, 2018 (refer to ASTI memo dated April 12, 2018 and titled *Review of Draft 381 Work Plan for Redevelopment of the Northeast Corner of Hamlin and Adams Roads, Rochester Hills, Michigan*).



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That Updated 381 Work Plan and associated Brownfield Plan (approved at a City Council meeting on April 23, 2018) were prepared in conjunction with an Amended Consent Judgment dated May 24, 2018 (the ACJ), which included additional requirements associated with environmental mitigation activities. All of the environmental mitigation language from an original Consent Judgment was removed in the ACJ. All activities are now to be completed according to the City approved Brownfield Plan and the EGLE approved 381 Work Plan. As such, any requirements for mitigation, remediation or long-term operation and maintenance must be included in the 381 Work Plan to be required under the ACJ.

Please refer to previous memos or the work plans for a description of the subject property and redevelopment plans.

Review of Amended 381 Work Plan

Changes were made to update completed tasks or references. In addition, the following changes are noted.

- The number of assumed units has changed from 368 to 359.
- The parcel owners (originally DBB Adams, LLC/DBB Hamlin, LLC) have been modified as follows: Parcel A is owned by LRH Development LLC and Parcel B is owned by Hamlin Conservation Park, LLC.

The scope of the project and the associated eligible activities, including the environmental remediation and controls, as described in the Amended 381 Work Plan are the same as included in the Updated 381 Work Plan and the approved Brownfield Plan with the following exceptions and comments. All of these changes, specifically in Section 3.1.1.7, relate to remediation in Parcel B.

- The Amended 381 Work Plan includes modifications to the installation of the slurry wall on Parcel B with depths as agreed to between ASTI and AKT during discussions in 2020. These depths were based on existing site data with the objective of installing the slurry wall a minimum of 2-feet into the underlying native low permeability materials to prevent infiltration of groundwater into the landfill area.
- The Amended 381 Work Plan includes modifications to the cover design for Parcel B, and includes additional detail on that design. The cover will now consist of 6 inches topsoil, underlaid by approximately 36 inches of class II sand over a bentonite geosynthetic clay cover (such as Bentomat) and finally a flexible membrane liner immediately above the landfill materials. The bentonite geosynthetic clay cover replaces the original two-feet of compacted clay.
- Assumed costs for Operation and Maintenance for Parcel B have been reduced from 30 years to 24 years. The effect of this change is that recapture for years 25 to 30 (approximately \$180,000) has been reallocated to other expenses. According to the Applicant's consultant, this was to be consistent with the 24-year capture period modeled in the Plan (Table 3), and assumed that costs outside that period would not be reimbursed. Please note that the 24-year period in that table is an illustration of the estimated time required for reimbursement of the approved amount plus interest, and does not include the optional five year capture for the Local Revolving Loan Fund.
- The description of operation and maintenance for Parcel B in Section 3.1.1.7 added the language that implementation will continue "for at least a total of 30 years".
- The Amended 381 Work Plan retains the installation of the passive gas collection system under the cap in Parcel B and changes it from only being installed if required by EGLE to being part of the final cap design. However, the original vent design of two vents 6 to 18 inches above



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ground and covered with a faux rock cap, has been changed to two 8-foot tall, 4 inch diameter metal vent pipes, noting that this is required by EGLE.

Comparison of Costs to Brownfield Plan and Updated 381 Work Plan

The following tables compare summary categories for the Amended Act 381 Work Plan with the approved Brownfield Plan and the approved Updated 381 Work Plan. A comparison of individual costs is provided in attached Table 1. Please note the following changes in the tables below.

- The total amount of reimbursement for eligible expenses plus contingency is the same as approved in the Brownfield Plan, and slightly higher than the amount approved in the Updated 381 Work Plan (due partly to contingent approvals), but costs are allocated differently. For example, costs originally for the Methane Mitigation System (intended for under new buildings and along Hamlin), are no longer required, and have been allocated to other expenses.
- The contingency has been adjusted to apply only to outstanding tasks and the balance has been reallocated to other costs.
- The largest increase is for costs for remediation and installation of controls on Parcels A and B which have increased by \$2,854,033, with the largest portion of that increase for the encapsulation of Parcel B impacts.
- Estimated operations and maintenance costs are reduced, and although this is largely due to removal of operations and maintenance costs for the Methane Mitigation System, costs for Parcel B are reduced by 20% (see Table 1), based on an assumption of operation and maintenance for 24 years instead of 30 years as originally calculated.
- The amount of capture for the local revolving loan fund have been reduced in the Update Act 381 Work Plan. The amount is still at 3% of the total available for capture each year, so this change is because of changes in the assumed future taxable value.

ELIGIBLE ACTIVITIES COST SUMMARY	Amendment #1 381 Work Plan (3/8/21)	Approved Brownfield Plan (4/7/18)	Change from Approved Brownfield Plan	
			Percent	Amount
Parcel A & B Remediation	\$5,890,178.00	\$4,617,814.00	28%	\$1,272,364.00
Parcel B Slurry Wall and Cap	\$1,851,669.00	\$270,000.00	586%	\$1,581,669.00
Operational and Maintenance Costs	\$720,000.00	\$1,305,000.00	-45%	-\$585,000.00
Methane Mitigation System	\$0.00	\$1,098,000.00	-100%	-\$1,098,000.00
All Other Eligible Costs	\$781,571.00	\$1,122,600.00	-30%	-\$341,029.00
Subtotal Eligible Expenses	\$9,243,418.00	\$8,413,414.00	10%	\$830,004.00
Contingency	\$376,169.00	\$1,206,172.00	-69%	-\$830,003.00
Subtotal Eligible Expenses with Contingency	\$9,619,587.00	\$9,619,586.00	0%	\$1.00
Interest	\$4,581,988.00	\$4,581,988.00	0%	\$0.00
Total Reimbursement With Interest	\$14,201,575.00	\$14,201,574.00	0%	\$1.00
Administrative Fees	\$240,000.00	\$210,000.00	14%	\$30,000.00
State RLF	\$1,214,897.00	\$1,410,194.00	-14%	-\$195,297.00
Local RLF	\$2,014,823.00	\$4,075,533.00	-51%	-\$2,060,710.00
Total Capture	\$17,671,295.00	\$19,897,301.00	-11%	-\$2,226,006.00



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ELIGIBLE ACTIVITIES COST SUMMARY	Amendment #1 381 Work Plan (3/8/21)	Approved Updated 381 Work Plan (5/9/18)	Change from Approved 381 Work Plan	
			Percent	Amount
Parcel A & B Remediation	\$5,890,178.00	\$4,818,388.00	22%	\$1,071,790.00
Parcel B Slurry Wall and Cap	\$1,851,669.00	\$270,000.00	586%	\$1,581,669.00
Operational and Maintenance Costs	\$720,000.00	\$900,000.00	-20%	-\$180,000.00
Methane Mitigation System	\$0.00	\$1,248,000.00	-100%	-\$1,248,000.00
All Other Eligible Costs	\$781,571.00	\$1,122,600.00	-30%	-\$341,029.00
Subtotal Eligible Expenses	\$9,243,418.00	\$8,358,988.00	11%	\$884,430.00
Contingency	\$376,169.00	\$1,226,008.00	-69%	-\$849,839.00
Subtotal Eligible Expenses with Contingency	\$9,619,587.00	\$9,584,996.00	0%	\$34,591.00
Interest	\$4,581,988.00	\$4,581,988.00	0%	\$0.00
Total Reimbursement With Interest	\$14,201,575.00	\$14,166,984.00	0%	\$34,591.00
Administrative Fees	\$240,000.00	\$240,000.00	0%	\$0.00
State RLF	\$1,214,897.00	\$1,287,667.00	-6%	-\$72,770.00
Local RLF	\$2,014,823.00	\$2,963,575.00	-32%	-\$948,752.00
Total Capture	\$17,671,295.00	\$18,658,226.00	-5%	-\$986,931.00

Recommendations:

ASTI recommends that the Amended 381 Work Plan be submitted to EGLE for review and approval, assuming that the following issues are adequately addressed by the Applicant.

1. Operation and maintenance obligations for Parcel B will continue well beyond the 24-year period stated in the Amended 381 Work Plan, and are a critical component of maintaining the remedy and providing public access to Parcel B. Therefore, to be explicit about requiring operation and maintenance beyond the Amended 381 Work Plan, ASTI recommends that the description "for at least a total of 30 years" be removed from Section 3.1.1.7.
2. More importantly, one of the assumptions of the incentives program is that since Parcel B will not generate meaningful incremental taxes, reimbursement for eligible activities on Parcel B must be funded from incremental taxes on Parcel A, but in the absence of that reimbursement, it is unclear how operation and maintenance on Parcel B will continue. To assure the maximum duration for operation and maintenance on Parcel B, that cost should not be reallocated, and it should be assumed for a full 30 years.
3. In order to provide reimbursement to the Applicant for operation and maintenance in Parcel B beyond 24 years, the assumed duration of the tax capture table would be extended from 24 years to 30 years, with only minimal reimbursement to cover this expense in years 25 to 30. These assumptions can be changed without changing the total amount approved for reimbursement or the total duration of reimbursement for all other costs, but may require a change in the Reimbursement Agreement.
4. The tax reimbursement table should include capture for the Local Brownfield Revolving Fund in years 25 to 29, up to the maximum permitted for school tax capture.

ASTI makes the following additional recommendations.

5. 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



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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, and the Amended Act 381 Work Plan illustrate that capture in the tax tables.

6. 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.



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Table 1. Plan Comparison

City of Rochester Hills

Property Located At: Northeast corner of Hamlin and Adams Roads

Project: Legacy Rochester Hills

As of March 26, 2021

ELIGIBLE ACTIVITIES COST SUMMARY	Amendment #1 381 Work Plan (3/8/21)	Approved Updated 381 Work Plan (5/9/18)	Change from Approved 381 Work Plan		Approved Brownfield Plan (4/7/18)	Change from Approved Brownfield Plan	
			Percent	Amount		Percent	Amount
Phase I	\$5,450.00	\$5,600.00	-3%	-\$150.00	\$5,600.00	-3%	-\$150.00
BEA	\$10,577.00	\$15,000.00	-29%	-\$4,423.00	\$15,000.00	-29%	-\$4,423.00
Supplemental Subsurface Investigation	\$93,983.00	\$120,000.00	-22%	-\$26,017.00	\$120,000.00	-22%	-\$26,017.00
Environmental Construction Management Plan		\$20,000.00		-\$20,000.00	\$20,000.00	-100%	-\$20,000.00
Project Management, Administration, and Consulting Support	\$81,135.00	\$25,000.00	225%	\$56,135.00	\$25,000.00	225%	\$56,135.00
HASP	\$3,088.00	\$2,000.00	54%	\$1,088.00	\$2,000.00	54%	\$1,088.00
Parcel A and B Soil/Waste Removal	\$5,828,228.00			\$5,828,228.00			\$5,828,228.00
Parcel A and B PCB Impacted Soils Removal	\$61,950.00			\$61,950.00			\$61,950.00
Parcel A Remediation		\$3,121,907.00	-100%	-\$3,121,907.00	\$2,921,333.00	-100%	-\$2,921,333.00
Sub-slab venting system - all new construction				\$0.00	\$648,000.00		-\$648,000.00
Parcel B Remediation		\$1,696,481.00		-\$1,696,481.00	\$1,696,481.00		-\$1,696,481.00
O&M Plan - Parcel B	\$720,000.00	\$900,000.00	-20%	-\$180,000.00	\$900,000.00	-20%	-\$180,000.00
Import Clean Fill for Land Balancing	\$150,000.00	\$680,000.00	-78%	-\$530,000.00	\$680,000.00	-78%	-\$530,000.00
Installation Hydraulic Barrier (i.e. slurry wall)	\$1,171,159.00	\$150,000.00	681%	\$1,021,159.00	\$150,000.00	681%	\$1,021,159.00
Installation of Liner and Cap over former landfill	\$680,510.00	\$120,000.00	467%	\$560,510.00	\$120,000.00	467%	\$560,510.00
Installation of Passive Methane Venting System (former "landfill" area)				\$0.00	\$190,000.00		-\$190,000.00
Operation and Maintenance Plan - Subfloor Methane Mitigation Systems				\$0.00	\$255,000.00		-\$255,000.00
Passive Methane Venting System along Hamlin Road				\$0.00	\$260,000.00		-\$260,000.00
O&M Plan - Passive Methane Venting System along Hamlin Road				\$0.00	\$150,000.00		-\$150,000.00
Waterproofing Seals and Gaskets for Stormwater Piping		\$40,000.00		-\$40,000.00	\$40,000.00		-\$40,000.00
Temporary Site Control & Erosion Control	\$138,200.00	\$50,000.00	176%	\$88,200.00	\$50,000.00	176%	\$88,200.00
Dewatering	\$149,407.00	\$75,000.00	99%	\$74,407.00	\$75,000.00	99%	\$74,407.00
Closeout Reporting (East Parcel) & Documentation of Due Care Compliance	\$45,000.00	\$15,000.00	200%	\$30,000.00	\$15,000.00	200%	\$30,000.00
NFA Due Care Plan	\$44,731.00	\$30,000.00	49%	\$14,731.00	\$30,000.00	49%	\$14,731.00
Brownfield Plan	\$15,000.00	\$10,000.00	50%	\$5,000.00	\$10,000.00	50%	\$5,000.00
381 Work Plan	\$15,000.00	\$15,000.00	0%	\$0.00	\$15,000.00	0%	\$0.00
Cost Tracking & Compliance	\$30,000.00	\$20,000.00	50%	\$10,000.00	\$20,000.00	50%	\$10,000.00
Total Eligible Activities Above	\$9,243,418.00	\$7,110,988.00	30%	\$2,132,430.00	\$8,413,414.00	10%	\$830,004.00
Contingency	\$376,169.00	\$1,226,008.00	-69%	-\$849,839.00	\$1,206,172.00	-69%	-\$830,003.00
Total With Contingency	\$9,619,587.00	\$8,336,996.00	15%	\$1,282,591.00	\$9,619,586.00	0%	\$1.00
<i>Conditional EGLE Approvals</i>							
Sub-slab venting system - all new construction		\$648,000.00		-\$648,000.00			
Installation of Passive Methane Venting System (former "landfill" area)		\$190,000.00		-\$190,000.00			
Passive Methane Venting System along Hamlin Road		\$260,000.00		-\$260,000.00			
O&M Plan - Passive Methane Venting System along Hamlin Road		\$150,000.00		-\$150,000.00			
<i>Subtotal Conditional EGLE Approvals</i>	<i>\$0.00</i>	<i>\$1,248,000.00</i>		<i>-\$1,248,000.00</i>	<i>\$0.00</i>		<i>\$0.00</i>
Total With Conditional EGLE Approvals	\$9,619,587.00	\$9,584,996.00	0%	\$34,591.00	\$9,619,586.00	0%	\$1.00
Interest	\$4,581,988.00	\$4,581,988.00	0%	\$0.00	\$4,581,988.00	0%	\$0.00
Total Reimbursement With Interest	\$14,201,575.00	\$14,166,984.00	0%	\$34,591.00	\$14,201,574.00	0%	\$1.00
Administrative Fees	\$240,000.00	\$240,000.00	0%	\$0.00	\$210,000.00	14%	\$30,000.00
State RLF	\$1,214,897.00	\$1,287,667.00	-6%	-\$72,770.00	\$1,410,194.00	-14%	-\$195,297.00
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Total Capture	\$17,671,295.00	\$18,658,226.00	-5%	-\$986,931.00	\$19,897,301.00	-11%	-\$2,226,006.00

Notes:*Italic* indicates conditional approval from EGLE

It is unclear why the ELGE approval for eligible expenses is higher than requested

It is unclear why the EGLE approval for contingency is more than 15% of the eligible costs.