



Rochester Hills

Minutes - Draft

Local Development Finance Authority

1000 Rochester Hills Dr
Rochester Hills, MI
48309
(248) 656-4600
Home Page:
www.rochesterhills.org

*Jeremy Brown, Michael Damone, Michael Ellis, Daniel Hunter, Darlene Janulis,
Michael Kaszubski, Rophin Paul, Stephan Slavik, Doug Smith and Dana Taylor*

Thursday, November 8, 2018

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 8 - Michael Damone, Michael Ellis, Darlene Janulis, Daniel Hunter, Michael Kaszubski, Rophin Paul, Stephan Slavik and Doug Smith

Excused 2 - Jeremy Brown and Dana Taylor

Quorum present.

Also present: Paul Davis, Deputy Director, DPS/Engineering
Sara Roediger, Director of Planning & Econ. Dev.
Joe Snyder, CFO, Director of Fiscal
Laurie Taylor, Director of Assessing
Pamela Valentik, Manager of Economic Dev.
Maureen Gentry, Secretary

APPROVAL OF MINUTES

[2018-0423](#) June 28, 2018 Special Meeting

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

Aye 8 - Damone, Ellis, Janulis, Hunter, Kaszubski, Paul, Slavik and Smith

Excused 2 - Brown and Taylor

COMMUNICATIONS

There were no written Communications presented. Ms. Valentik advised that she and the Mayor made a trip to Germany and France to meet with some companies that were currently in town and were experiencing growth. In Germany, they met with KOSTAL Kontakt who recently

purchased 18 acres off of Old Adams by the Meijer. They met with the company's ownership to find out what had to be done to move a proposed project forward. She noted that KOSTAL was a fourth generation company with 19,000 employees worldwide and close to \$3 billion in sales. She indicated that it was a fantastic meeting, and KOSTAL assured that they were moving forward to build a headquarters in the US. They were able to secure an incentive from the State. She had passed out an article which talked about the \$58 million investment in the LDFA area. It would be a three phase development and a long-term investment. The initial phase would construct a 130k s.f. building and employ about 200, and they planned to grow to 300k s.f. with up to 600 jobs.

Ms. Valentik next mentioned that they also met with Adduxi, a French, privately-owned company involved in the automotive sector. They established their first U.S. manufacturing plant in Rochester Hills about four years ago, and they had already outgrown it. They were in the process of relocating into a larger building in the district on Research Dr. During the visit, the owners had arranged a meeting with other French manufacturers looking at the U.S. market. Two companies had committed to setting up a sales office in Adduxi's new space. Adduxi was calling it the French corner, and they were envisioning a little incubator in their leased space to see how the U.S. market would work for other companies. Mr. Smith asked what Adduxi manufactured, and Ms. Valentik advised that it was connection or plastic injection mold pieces for the auto industry.

Ms. Valentik related that the last company they visited was A. Raymond. A. Raymond had built a new headquarters on Devondale recently, which was their fifth facility in town. They had been around for about 150 years, and they had some other divisions they were considering bringing to the U.S. She said that all the companies were very appreciative that she and the Mayor had visited.

Ms. Valentik announced that half of 2910 Waterview, a long vacant building, was just leased. An automotive leather company was moving in, which would make three leather companies in town. It would be their engineering, sales and showroom, similar to what Eagle Ottawa and BADER had.

Ms. Valentik noted that the Technology pathway had just been finished. Mr. Paul complimented that it was very well planned with minimum disruption. Ms. Valentik said that she recently met with Ottobock, who had leased a second building on Technology, and she noticed people using

the pathway. She thanked the LDFA for funding the project. Ms. Janulis asked if pictures could be emailed to the Board. Ms. Valentik also announced that Hamlin Rd. was set to open in a week or so, and companies were very complimentary and excited to see it open.

Mr. Davis agreed that it would open the following Monday. They used a company that put in the pavement a little differently than some of the bigger companies, so the ride quality was not the greatest. They found a number of areas that were outside of the tolerance permitted, so they had to further grind the pavement to make the ride smoother.

Chairperson Slavik asked if that was a flaw with the installation of the machines they used, and Mr. Davis agreed. He said that it was acceptable, but it was not one of the more advanced paving machines for concrete.

Mr. Paul said he noticed that in one area, sections were just replaced. Mr. Davis said that it was in good shape, so they decided not to replace it all. Mr. Paul stated that it was a very good corridor for the City, and he realized the value in making sure it was kept up.

Mr. Davis talked a little about Old Adams and a section of Forrester which would be transferred to the City. Old Adams, north of M-59 was a low priority for the City, and he would like the City to vacate or remove it, but south of M-59 would be important for the KOSTAL project.

NEW BUSINESS

2010-0462 LDFA Project Funding Discussion

Ms. Valentik recapped that at the last meeting, the Board talked about capital expenditures what was left in the fund balance. In the next six or seven years, there were no major projects on the horizon. A few years ago, the Board funded a study of the M-59 Corridor, and there were a number of projects identified. They talked about the need to revise some of the projects to potentially put into the budget. Staff had gone through the list and provided an update regarding the estimated costs and what was no longer relevant.

Ms. Janulis asked if the updated estimates were based on more recent figures for what things cost or if the depth of the projects had been more clearly defined. She noted that the costs had increased quite a bit, and she wondered if it was due to the cost of materials or if there was just a

better sense of what was needed to do a project.

Mr. Davis said that it was not because more design or a more detailed review had been done, and it was still a ballpark estimate. They monitored recent pathway projects, for example, and he said that they were a lot more expensive than they used to be.

Mr. Smith knew that labor costs had gone through the roof. They had to add 25-30% to all of their construction projects (at OCC). Mr. Davis agreed. Ms. Janulis had wondered if something had been re-engineered or if there were just other costs. Mr. Davis said that it was still conceptual, and they had not looked at any of the projects in detail. Ms. Janulis felt that they were better off going with higher numbers than being disappointed that they could not do as much as they wanted.

Ms. Janulis questioned whether they should make Waterview a priority because of some of the businesses that would be moving into the area. They could look at an area to see where they had movement and move money, especially for the streetscapes. She knew that people liked to walk, and she thought it would be a plus for businesses to have people moving outside. Ms. Valentik agreed, and reminded what happened with Technology. Staff had to come back to the Board and ask for more money. Ms. Janulis said that was what she meant; they were better off looking at the bigger number than not being able to get as much done. She thought that Waterview might be a priority. Ms. Valentik noted that reconstruction of Waterview was a new project added to the list since the Study was done. Mr. Davis brought it to their attention that it was in poorer shape.

Mr. Davis mentioned reconstruction of Old Adams/Forrester/ Industrial, and said that Industrial should be crossed off, because the cost listed was only associated with Old Adams and Forrester. He talked about the first project, paving Leach Rd. from Auburn Rd. to Waterview Dr., and said that it was an existing gravel road for which the City did not have all the right-of-way. The right-of-way was variable in front of some of the businesses, and it would cost about \$1 million to acquire. The section to the north of Waterview had been paved when the Adams Rd. relocation project was done, so it was newer.

Mr. Hunter recalled that they talked a little about Leach at the last meeting. Mr. Davis said that there were smaller businesses on Leach, but no one had bought and assembled a lot of properties for a larger development. Mr. Ellis felt that the more it was improved, the more

valuable the properties might be. Chairperson Slavik asked if there was sewer and water, which Mr. Davis confirmed. He said that the underground was in place, but there was open ditching. Chairperson Slavik asked how many residential homes were on Leach, and Ms. Roediger believed there were about six being used as homes, and the other structures were used for businesses.

Ms. Janulis noted the project to construct sidewalk and plant street trees along Waterview. She asked if that was done at the same time they reconstructed Waterview if it would save money. Mr. Davis agreed that if they were going to reconstruct that road, they should do the other items at the same time. They always tried to take advantage of the economies of scale. If the Board were to consider that project, however, they would also want to consider the fund balance. With both projects, it would be a little over \$1.9 million, and the fund balance was just over \$2 million, so nothing else could be done that year. He maintained that at one point, it would have to be done; Waterview was in poor condition, and it was not a candidate for an overlay.

Mr. Ellis asked if there were other roads in the same situation in the district. Mr. Davis advised that part of Austin was. There were two parts of Austin included in its reconstruction. Part of the westerly end towards Devondale was newer than the portion west of Crooks Rd. That portion was determined to be fair in the Capital Improvement Plan, and it would be a candidate for a mill and overlay.

Mr. Damone wondered if they should have some reserves for projects such as JENOPTIK down the road. Ms. Valentik was of that opinion. They talked about the potential of the fund balance through 2024, which would grow. She felt that it would make sense to create buckets. If there was \$4 million in fund balance, for example, they wondered if they should reserve X amount of dollars for other projects that could come along in the next six or seven years. She recalled that Mr. Smith had talked about some kind of branding campaign for the area as a technology corridor, so she suggested that they might have a bucket for that as well as capital expenditures.

Mr. Damone asked how many dollars they should reserve to help bring in new businesses, and if it was just going to be a guess. Ms. Janulis suggested that even saving a percentage might help. Mr. Damone thought that it should be a dollar amount. Mr. Snyder said that typically, a percent worked great, but he thought that since the LDFA's operating expenditures were so minimal, and the operating revenues were \$800k,

they could keep a metric to that. He did not think having a flat dollar amount was a bad idea, due to the special nature of what the LDFA did. It would inject money into big, one-time projects.

Mr. Paul asked if they could derive something from the last five or ten years, such as what was planned and how many surprises there were. Mr. Snyder stated that JENOPTIK was the biggest surprise. Ms. Valentik said that she would put Old Adams/Forrester in as a surprise. When they did the Study, the City did not have jurisdiction of those roads. What had driven their interest in taking over jurisdiction, especially from an economic development standpoint, was that KOSTAL was buying 18 acres of land that abutted it. They asked the City if they would be allowed to drive large trucks in and out of those roads, and as it currently was, Forrester could not really handle that.

Mr. Ellis asked if that was the location over all others that was critical for redevelopment. Ms. Valentik agreed because of KOSTAL's commitment. They looked at doing Leach, wondering if it would draw new projects, but KOSTAL had already bought the land and asked about trucks. Mr. Ellis asked if that was the City's number one priority in the district. Ms. Valentik remarked that it depended on whom you asked. Mr. Hunter reminded that it was the only way into that area. Mr. Snyder commented that there would be a nice injection into the LDFA fund when it was added to the district.

Mr. Damone asked where the inventory was of potential sites for growth. He had heard that there was a lack of land, and that buildings were full. He felt that would be significant information to help decide their priorities, and that they needed to look at where growth could occur to bring in new people.

Ms. Valentik agreed that virgin land was scarce, so she was very excited that KOSTAL was picking up 18 acres. It had not been easy, because there was a Consent Judgment and a Consumers Energy easement through the middle. She agreed that they could look at land that had the potential to redevelop. Leach and the north end of Devondale had that potential, and she thought the area by Industrial Drive and Old Adams had more potential. She talked to companies that asked what land was available, and she always told them to assemble the land on the north end of Devondale. She would love to see something happen at the old Suburban Softball site that could connect to Avon Industrial.

Mr. Damone had always put Leach road as the lowest priority, as the

return on investment would not be there. Ms. Valentik said that from an economic development standpoint, it was important for the LDFA to help maintain the infrastructure in place to make sure it stayed in good condition.

Upon questioning by Ms. Valentik, Ms. Taylor explained that the square-foot sale of buildings in the Industrial market had really increased. The equalization move for assessments for 2019 was over 10%, and it could probably go higher. She remembered during the recession when they were settling tax tribunals, there was a building at \$26 per square foot, and it sold for \$52 per foot a year ago. Some of the better industrial buildings were selling up \$100 per square foot. Ms. Valentik knew that there were two on Waterview that sold for \$100 in the last two years. She liked the idea of making investments from a maintenance standpoint whether it was Waterview or Austin to keep the values at a high level, but also at looking at opportunities for redevelopment.

Chairperson Slavik said that if nothing else, they should probably do the preliminary engineering for Old Adams. Mr. Ellis suggested that before they made decisions, they needed to settle on how much they needed to hold back in reserves. He would like more input before he could estimate.

Ms. Janulis said that the discussion to understand what people thought was a priority was good start. She had not been down every street, but she had been down Leach, and she understood what was being said, and she agreed. Mr. Hunter said that Leach might be another way out for people on the north end of Waterview, but he did not think it was that significant. Mr. Davis indicated that Leach was a priority for his department. It was a gravel road, which was a burden. They had to grade and chloride those roads multiple times a summer, and Leach tended to get beat up more than most. Mr. Damone suggested that they needed a list of priorities from each department. Ms. Janulis said that whatever they did with the roads, she hoped they could chip off something with the streetscapes as well to try to balance the projects. For example, if they ended up doing Old Adams and Forrester, they could perhaps pick up St5 (construct sidewalk along Austin), a lower-end project. She agreed that the input would help them all come to the best conclusions.

Ms. Roediger reminded that the CIP process was starting in early 2019, so she suggested that they could compare CIP requests with some of their projects and prioritize at the January meeting. The CIP looked out five years, and it also listed potential projects. If they added

reconstruction of Austin or Industrial and funding came up and it was in the CIP, they could apply for grants.

Mr. Smith asked if a traffic study had ever been done for the area. Mr. Davis said that the northerly half of Old Adams south of M-59 had relatively new pavement. It was done in 2008 and had virtually no traffic. The new development in Auburn Hills and from KOSTAL would increase traffic night and day. If they were to do Old Adams, they might want to do some work on the northerly half, but it had hardly been impacted since it was paved ten years ago.

Mr. Damone said that staff knew that better than the LDFA, and that was why he thought the Board needed further recommendations. Ms. Valentik thought that there might be the possibility that the LDFA could partner with the City in some of the projects. Ms. Janulis said that the Board had changed direction when it suited the greater good, so she did not think there was a reason why that could not be done in the future. She liked the five-year plan, especially if they could apply for grants. They would eventually have to renew the LDFA, and it would work in the Board's favor. If they had a \$3 million fund balance, people would think that the LDFA was not needed, so they had to use it.

Mr. Ellis said that he would want to have a sense of how much they needed to hold back. Mr. Snyder said that they might not want to go below \$1 million. It was an amount they could use for a project in a moment's notice. They could hold back for a year after that so the balance was replenished. Today, there was \$1.2 million they could allocate towards something, and they would be adding \$600k the next year. Every two years, they could do a \$1.5 million project. Mr. Paul agreed with \$1 million.

Mr. Damone asked where the money would go if they came to the end of the LDFA and there was a balance. Mr. Snyder said that it would go back to each of the agencies (schools, libraries, cities). Mr. Hunter said that Oakland County's Board of Commissioners had quite a process in place, and he thought that they should renew before the end of 2025. Mr. Damone asked if there were dollars in the fund balance but there were commitments for those dollars if the money could be retained. Mr. Snyder was not sure the LDFA would be allowed to dissolve if that were the case. Mr. Smith agreed that it would not be able to dissolve if it had outstanding obligations. It could just not collect any more.

Chairperson Slavik asked the status of the Suburban Softball site and

whether they went through engineering to know about construction. Mr. Davis said that at one point, sanitary sewer was a big deal for that site. About 12 years ago, when a Target was proposed for the site, they projected the use, and almost all the sanitary sewer capacity would have been used up just by the Target. That was no longer a concern, because the sewage district that served the property had changed and was taking advantage of the Pontiac waste water treatment plant. The M-59 Corridor Study had projects to try to direct sanitary sewage flow to the Avon-Gibson district, but it was not a problem any longer. As far as the plan to remove the contaminated soil, that was contingent upon taking it to the Van Buren landfill, and he did not believe that was an option any longer. As far as engineering and settlement issues, he thought they had enough data as to how parking lots would compact if none of the garbage was removed, but they really had not gotten too far along with the engineering.

Ms. Valentik reminded that the site was not in the district. There had been some interest. There was one company that did some extensive research on the feasibility to construct on the site, but they had not released the report to the City. They did say that the price tag was "fainting-worthy." She noted that the City was in the process of updating its Master Plan, and they identified the site for potential redevelopment. The City was also in the process of being certified by the State as a Redevelopment Ready Community. That process included identifying key sites within the community, and that was one that had the potential for redevelopment. The City saw possibility for the site, with the activity going on everywhere, its proximity to M-59, the growth in the region as a whole and the interest in the Detroit region. It was going to take a business that had the time and the capital to cover the remediation costs.

Ms. Roediger felt that time would be key, because companies usually wanted to be done in a year or 18 months, and the site would take longer to be prepped. The site had a currently approved Brownfield Plan for a project that did not come to fruition. The City was initiating closing that to save time for a new company, recognizing that any new project would have to establish a new Plan.

Mr. Smith asked how many acres the site was and was advised about 80 acres. He knew that Auburn Hills was built out as well, and that there were very few properties along the I-75 corridor that had exposure, so the 80 acres was huge. He asked if IKEA had ever approached the City about the site. Ms. Valentik said that they had not since she had been at the City, but the site had a Consent Judgment that limited the amount of retail. The companies she had been talking with had been looking for a

headquarters/engineering/ R&D/manufacturing type of operation. She noted that FANUC had looked at the site for the project they ended up doing in Auburn Hills.

Mr. Ellis said that even if it was in the district, the funds available would just scratch the surface of what needed to be done. He did not think it was something they should even think about. Ms. Valentik had heard a figure of over \$50 million. She suggested that while the site was not in the district, it was right next to it, and they could perhaps be creative and offer support.

Ms. Roediger mentioned the cleanup going on at the northeast corner. There were 29 acres, and the cleanup for that was more than \$12 million. Ms. Valentik said that it did show that there was enough of an interest in the community that developers would spend the money to cleanup property to see a return on investment. Mr. Davis noted that they were not even removing all the contaminated areas and it was still that expensive. Mr. Hunter considered that a Brownfield Plan would only go 30 years, and some developers did not recoup everything. Mr. Davis said that another thing with the 80 acre piece was that there was no sanitary sewer along Hamlin. The property on the north went into the Clinton River Valley for sanitary sewer, and the closest would be to the apartment complex to the east. Sanitary sewer would need to be extended from offsite.

Ms. Valentik asked if there were any other suggestions or information staff should prepare. Mr. Hunter agreed with everything that had been said, and he would lean on the Old Adams/Forrester stretch, because a company was making a major investment, Ms. Valentik and the Mayor had just visited them, and they indicated that there could be an expansion or two. He stated that German companies would really appreciate that, because they were long term. Ms. Valentik noted that she had spent the last two days at a conference with site consultants and corporate real estate executives from all over the country. It was called Trustbelt, and it promoted the Midwest and its opportunities and gauged interest. There was a lot of buzz for the Detroit area, especially about the automotive industry's transition to a mobility industry. They said that it would no longer be the auto sector; it would be the mobility sector by 2025. There were parts of the country that were snapping at our heels to take that title. The biggest thing discussed was talent, even more so than real estate. A couple of site consultants said that they could build a box anywhere, but if the clients could not find the work force, it would not be the site for them. There were a lot factors that businesses looked at besides just real estate.

ANY OTHER BUSINESS

2018-0459 Request for Approval of the 2019 LDFA Meeting Schedule

Noting the proposed schedule, Ms. Roediger felt that January 10 would come up pretty quickly after the holidays. The CIP would be in process in February, so she suggested moving the January meeting to February. The group decided on February 14th.

MOTION by Smith, seconded by Janulis, the Rochester Hills Local Development Finance Authority hereby establishes its 2019 meeting schedule at the November 8, 2018 Special Meeting as follows:

ROCHESTER HILLS
LOCAL DEVELOPMENT FINANCE AUTHORITY
2019 MEETING DATES

February 14, 2018

April 11, 2019

July 11, 2019

October 10, 2019

NEXT MEETING DATE

Chairperson Slavik reminded the LDFA Board that the next Regular Meeting was scheduled for February 14, 2019.

ADJOURNMENT

Hearing no further business to come before the LDFA Board, Chairperson Slavik adjourned the Special Meeting at 8:40 a.m.

Respectfully Submitted,

Stephan Slavik, Chairperson
Rochester Hills
Local Development Finance Authority

Maureen Gentry, Secretary

