



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

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Legislative File No: 2006-0075

TO: Mayor and City Council Members
FROM: Ed Anzek, Planning & Development Department, ext. 2572
DATE: January 20, 2006
SUBJECT: Update on Sale of City Property on Hamlin Road

REQUEST:

This evening I wish to discuss the current status of the property on Hamlin Road, formerly known as the Letica property, and determine Council's direction to the Planning and Development Department in disposing of the property.

BACKGROUND:

The City acquired 20.88 acres in 1999 in consideration of constructing a new public works facility on site. The property originally consisted of five parcels, two of which were owned by Letica Corp. In 2003, the City decided to construct the new facility at the location of the current DPS Yard. The property on Hamlin became expendable and the City developed a request for proposals in July of that year and began marketing it for sale. Only one potential bidder emerged, but it eventually dropped its offer. The City's manager of Economic Development has been marketing the property since 2004 and in late 2005 completed the sale of three of the five parcels.

Today, 15.6 acres of property remain, consisting of one 83,450-square-foot manufacturing building slated for demolition by the City's LDFA in March 2006. There are no other buildings on the property. This site is part of a larger area designated in 2002 by the State of Michigan as a SmartZone, one of ten in the State. Consequently, the City rezoned the property from I-1, Light Industrial, to ORT, Office-Research-Technology in 2004. The Administration hopes to attract a developer who will construct a technology park or a single user who will be engaged in research and development, engineering or other high-technology activity.

Recently, several prospects have surfaced and are considering locating at the site. One developer presented an offer in December 2005. Administration chose to reject the offer and countered with a letter that outlined several negotiable points.

Another developer has expressed interest in entering into a joint venture with the City to market, sell and develop the property in a coordinated manner. The advantage to this approach is that it provides the City with complete control over the development. The primary disadvantage is that the property may be sold in a piecemeal fashion, which could lengthen the time it takes to dispose of the entire property.

The previous City Council expressed a strong desire to sell the property to a single buyer and was hopeful of a quick sale. Further, in keeping with the SmartZone designation, it was strongly supportive of the development of a technology park.

The City paid \$4,473,784 for the property in 1999, including closing costs. It has been generally acknowledged that the City overpaid Letica Corp. for its two parcels by about \$1-million. The property is being marketed at \$4.8-million. Based on the City's purchase price of \$4,473,784, the price per acre is \$277,623, which positions the property in the lower range of office rates and not comparable high-technology-zoned sites. Only the Ann Arbor market currently supports high-technology land values in that range.

Based on the cost factors outlined above, I have suggested to interested parties that the City could offset the high land value by paying public infrastructure development costs through the auspices of the City's LDFA. In other words, the LDFA could use tax increment financing to pay for a public road and extension of water and sewer within the park, costs that often are born by the developer. Similarly, the LDFA could pay for site fill, public parking decks and fiber-optic or other utility upgrades.

This evening I would like to discuss the following issues regarding the disposition of this property:

1. Is City Council supportive of splitting the property into smaller parcels or is it still interested in only seeking a single buyer?
2. Discuss the offer from General Development.
3. Discuss the joint venture concept with Kirco Development.
4. Discuss the use of development and/or tax incentives in negotiating the sale of the property

RECOMMENDATION:

None

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

| APPROVALS: | SIGNATURE | DATE |
|----------------------|-----------|------|
| Department Review | | |
| Department Director | | |
| Mayor | | |
| City Council Liaison | | |