



Rochester Hills

Minutes

Local Development Finance Authority

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*Jennifer Berwick, Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden,
Tammy Muczynski, William Mull, Theresa Mungiolli, Kris Pawlowski,
Cassie Patterson, Romaneir Polley, Stephan Slavik, Owen Winnie*

Thursday, April 1, 2010

7:30 AM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Stephan Slavik called the Regular Meeting to order at 7:39 a.m.

ROLL CALL

Present 8 - Clarence Brantley, Michael Damone, Michael Ellis, Lois Golden, Stephan Slavik, Kris Pawlowski, William Mull and Jennifer Berwick

Absent 5 - Theresa Mungiolli, Romaneir Polley, Owen Winnie, Tammy Muczynski and Cassie Patterson

Quorum Present.

Also present: Dan Casey, Manager of Economic and Development (entered 8:07 a.m.)

Paul Davis, City Engineer
Kurt Dawson, Director of Treasury and Assessing
Maureen Gentry, Recording Secretary

APPROVAL OF MINUTES

2010-0135 January 14, 2010 Regular Meeting

A motion was made by Damone, seconded by Brantley, to approved the January 14, 2010 Minutes as presented.

Aye 8 - Brantley, Damone, Ellis, Golden, Slavik, Pawlowski, Mull and Berwick

Absent 5 - Mungiolli, Polley, Winnie, Muczynski and Patterson

COMMUNICATIONS

Email from Paul Davis, City Engineer, dated January 28, 2010

UNFINISHED BUSINESS

2009-0042 Technology Drive Update

Mr. Davis noted that he had received an email from MDOT on March 10, which advised that there was a sign-off for the limited access right-of-way release for Technology Drive. It would now go before another Board for final approval on April 20th, but they did not anticipate any problems. The final approval would allow the City to finalize the design. The initial cost from the consultants was just for the preliminary design so that MDOT could approve a conceptual alignment. It would not take much more to get it to final design for bidding, and Mr. Davis did not expect the City to construct it this year. It would still have to go through MDOT's process for plan review and grade inspection, but this was the step that had been holding the City up for a year and a half.

Mr. Davis asked if he should wait until the next LDFA meeting to bring the proposal for the final design or whether he should just move forward.

Mr. Damone asked what amount he felt it would take, and he suggested that the LDFA board should approve the dollars and Mr. Davis could then use his discretion. Chairperson Slavik agreed, and maintained that special consideration would have to be given to the trail crossing and the turns. Mr. Davis advised that it would be a right-in, right-out only, so it was limited access movement because of the boulevard. There would be a couple of different pathways converging where it crossed Technology. The Clinton River Trail would come up and cross in front of vehicles waiting to turn onto Adams Road. There would also be another pathway coming down parallel and close to Adams, and the two points would converge and cross at Technology. He acknowledged that it was a little redundant, but the Adams Road pathway was coming off the interchange and the Clinton River Trail would diverge from that and go underneath M-59.

Mr. Damone asked if that was acceptable to Mr. Davis. Ms. Golden said it was similar to what was done for the Paint Creek Trail on Tienken. They wanted everyone to have a safe crossing, and she felt that cyclists and runners would welcome that.

Mr. Davis indicated that he would like to move forward, and he noted that the construction estimate was a little over \$200k. He thought another \$20, would complete the design. If that changed, he would come back to the board. Ms. Golden moved the following:

Motion by Golden, second by Ellis, that the LDFA Board approves the

amount of \$25,000.00 to complete the engineering for the Technology Drive connection. Any significant changes in the future would be brought before the Board.

A motion was made by Golden, seconded by Ellis, that this matter be Approved. The motion CARRIED by the following vote:

Aye 8 - Brantley, Damone, Ellis, Golden, Slavik, Pawlowski, Mull and Berwick

Absent 5 - Mungioli, Polley, Winnie, Muczynski and Patterson

2008-0159

M-59 Corridor Study & Master Infrastructure Plan Update

Mr. Davis advised that the prime consultant for the project was McKenna Associates, a planning firm that had worked with the City for many years, but the engineering consultant was Spalding DeDecker Associates, and he would be meeting with them soon to provide information about the roadways. In the original proposal, they anticipated doing work the City already had available. They were going to give an assessment about which roads the City should concentrate on repairing first in the district, but since the City had that information, Mr. Davis would provide it to the consultant.

Chairperson Slavik asked the status of the Crooks and M-59 interchange. Mr. Davis said that he had not heard anything further. He thought it would stay a deferred project until the State could change the status of the 243 projects indefinitely on hold. Chairperson Slavik asked if the road closings and work were still up in the air, and Mr. Davis said it was supposed to be bid out last October. At one point they were moving full steam ahead, but the State had funding difficulties. They were waiting for the second stimulus plan, which made it through the House but not the Senate. Mr. Ellis suggested checking MDOT's website for more information and timing.

Ms. Golden referred to the Technology Drive discussion. She thought it would be a good idea to send a sketch of the crossing to the Oakland County Trails Advisory Council. They tracked all the crossings and improvements, and Mr. Davis agreed he could send that.

NEW BUSINESS

2010-0148

Election of Officers (Chairperson, Vice Chairperson and Secretary for a one-year term to expire the first meeting in April 2011)

Upon motion by Ellis, second by Golden, Chairperson Slavik was re-elected Chairperson, Mr. Ellis was re-elected Vice Chairperson and the Planning and Economic Development Department was re-elected Secretary.

A motion was made by Ellis, seconded by Golden, that this matter be Approved. The motion CARRIED unanimously.

Mr. Davis talked about the Hamlin Rd. project, which he said had restarted and instituted a closure on Hamlin by the intersection of Livernois. Westbound traffic will not be allowed to travel through the intersection on Hamlin. It will be closed for about three months, and the contractor was working on paving east of Livernois, where they will add curb and gutters and drainage improvements. The roundabout will take three months because of the staging. The traffic signals will be removed from the intersection, and there will be barricades on either side of Hamlin. Traffic will be free flowing on Livernois, and there will be two long dead-end stretches on Hamlin. That will affect some of the businesses on Rochester Industrial, but after it was finished, he felt that it would be much improved.

Mr. Pawlowski asked about the retention on the northwest corner where water rose up to about half of the parking lot of the facility. Mr. Davis said they improved the situation on that corner. There was a pump, and he was not sure it was always working for that detention basin. They were able to put in a much larger storm sewer and provided the basin with a gravity connection out of it, and the pump had been removed, and it should function better. He mentioned that one of the benefits of the project was that there would be pathways along both sides of Hamlin from Crooks to east of Livernois. They were going to try to make a connection at the intersection of Crooks and Hamlin. Mr. Davis was asked the completion date, and he believed it would be done by July, dependent upon the weather.

Chairperson Slavik referred to the balance of the project going east on Hamlin, and he asked if there were improvements scheduled for this summer. Mr. Davis said that there were not. The City had submitted a Federal funding request for improvements between Livernois and Rochester, but the cutoff was one project before the Hamlin Rd. project, unfortunately. They would resubmit again next year. The Capital Improvement Plan showed Hamlin going to a three-lane road, not a continuous boulevard to Rochester Rd., but that could change depending

on the funding.

Mr. Casey entered at 8:07 a.m.

Ms. Golden asked the status of the National Historic Register house ("ghost house"), which was next to the southwest corner of Hamlin and Livernois.

Mr. Davis explained that at one time, the project was going to have a boulevard crossing intersection at Livernois and Hamlin and with that, the lanes would be taken further out and they would need more land. The State Historic Preservation Office (SHPO) determined that it would have an adverse affect on the house. They were working with the homeowner, and there were plans to move the house. The homeowner wanted the City to buy the parcel on the corner. It would cost about \$300k to move the house and update it to current codes. The City then looked at doing a roundabout, which would have less of a footprint impact, and SHPO determined that would not cause an adverse impact to the house and it would not have to be moved. The City ended up only having to make an effort to move the pathway closer to Livernois and do some landscaping.

Mr. Casey brought up the M-59 Corridor Study, and advised that Council had approved a budget amendment to push the money budgeted last year for the Study into this year. They chose the internal team for the project and had an initial meeting with McKenna. They were just beginning the project, and it was pertinent that they evaluate the existing roads in the LDFA district and come to a determination about when roads should be replaced. They had to factor that in when they looked at potential for new projects that might result from the Corridor Study.

DISCUSSION

2010-0143 Evaluating Funding for Road Projects

Mr. Casey discussed the reconstruction projects approved in the CIP and pointed out the major industrial roads in the district. He showed some that were not in the district and said they could be funded through the LDFA because of the way it had been established. He acknowledged that if they did that, it would drain LDFA resources from future projects. The LDFA had about \$1.2 million in fund balance, and the tax capture projections were declining because of declining assessments. The funds would not be there to construct all of the roads, and they needed to identify other ways to fund some of the projects. Mr. Davis said that

similar to the LDFA, the City's Major Road Fund was hurting and he did not think they would have the ability to do a lot of major road work. Mr. Casey wanted some feedback from the board.

Regarding road funding, Mr. Casey referred to the map in the packet which showed the LDFA district. He had identified the industrial major roads and Austin Ave. It indicated which projects were approved in the CIP, and they were all reconstruction projects, with the exception of Research Drive, which should be approved this year. He wanted to get some feedback from the board about how to manage the process.

Mr. Davis said there would be a millage in August of this year for 1/3 of a mil. One component would provide the City money to match special assessment districts. That was geared toward areas with gravel roads, to which the City had contributed money in the past. In the event that there were not a lot of special assessment district projects, the money could also be used for operating the local road system. The local and major roads primarily got money from the gas tax. In a combined fund, they got a little more than \$4 million a year, but general operating expenses for their department ate up more than half of that. Council might have the temptation to transfer money out of the Major Road to the Local Road Fund. For many years, they had subsidized the local road system with money from the General Fund, but because of the economy, that would be scrutinized heavily. They might need to draw down the Major Road Fund, which would affect the LDFA's ability to get projects done in the industrial subs.

Mr. Ellis suggested that because of the fluid nature of the economy, it would be helpful for Mr. Dawson to present some additional information for worst case scenarios to see what affect it might have on the LDFA's income going forward.

Mr. Dawson advised that the City was doing a three-year budget and five-year economic projection. He said he could do that for the LDFA as well. Mr. Dawson said he would bring the final numbers for the 2011 budget and some projections for two years beyond that to the next meeting.

Mr. Casey discussed preparing a Tax Increment Financing analysis for Tan and Northfield Parks, to see if they should establish a separate LDFA plan around them. If they established a separate plan for two years from now and established it as the baseline and went forward for 13 years, they could see how much tax increment could be generated from

the park. Normally, there would be some new development or significant personal property acquisition by companies there, but the park was built out and there was not a lot of vacancy. They would be counting on the increment just from the assessment increases of those buildings starting in two years. That might be a partial funding source, and they are not currently capturing from any of those companies. He said they could also identify areas where new construction could occur and bring them into a capture area and work towards encouraging that development, but they had really already done that.

Mr. Casey said that the Corridor Study would be looking at the north and south sides of Auburn Road, and there could be some land use changes that could result in new development. The north side was partially in the capture area.

Chairperson Slavik asked about the timing of Leach, and he noted that it was used as a cut-through now, and he believed that paving would promote development. Mr. Casey said that the City's position was that if they were to pave the road, it would incent the property owners to remain, and they would prefer to have developers go in and start to assemble properties and then they would pave the road. He agreed that there was a tremendous amount of potential on Leach.

Mr. Pawlowski said that a lot of the roads were concrete, and he asked if they had done a study about the longevity and maintenance over a period of time. Mr. Davis said that concrete was very competitive with asphalt now. He preferred concrete and felt it was better comparatively. If there was a concrete road, it would be replaced in kind, although it was not as convenient as asphalt. Mr. Davis stated that the health of the road was related to the drainage. If they got the proper drainage, it drastically helped and that was easier with concrete. Upon questioning by Chairperson Slavik, he advised that drains were not mandatory with all new roads in the City, just for those with curbing.

2008-0356

Hamlin property discussion (City-owned property)

Mr. Casey presented a proposal had been drafted for the Mayor. He noted that the LDFA has a project in its Plan to provide infrastructure for the City's 15.6-acre property on Hamlin, which the City had owned since 1999. There was currently \$751k budgeted for site development and infrastructure. The property was situated next to a building that had been vacant for a long time, which could be considered for inclusion in a

campus-style development. The proposal was put together because land prices had died, and the City had been asking about \$370k an acre for their property. He was trying to come up with creative strategies to incent development to go forward. He felt they had an opportunity to partner with a developer and make the property competitive, and they were considering bringing in a preferred developer. The City would control the process, not the developer. The City could have many options for the land if there was a preferred developer in place. It was all a matter of negotiations and there would be a lot of flexibility, depending on the tenants. If they wanted to own the building, they would, or they could lease it. There could be a ground lease, or they could even make the land free. They could sell the land to the developer at some point in the future, or they could sell the land to the occupants. Each of the partners would bear certain responsibilities and costs, which would be negotiated up front in the deal. Both parties would initially enter into a memo of understanding. The preferred developer would be a partner at the table. They would work with the City, strategize, and determine what the best course would be to get the property developed quickly and for the right types of use. The land control models that were typical in those types of arrangements were where the municipality owned the land initially, and they entered into a ground lease.

Mr. Damone asked if they would subordinate the ground lease to any financing that was on the property if they used a ground lease. Mr. Casey said they probably would, and added that the ground lease terms could be negotiated - as low as \$1. Mr. Damone reminded that someone would have to finance the buildings, and it was impossible to get funding for that today. The lender would want a first position on the land, so if whoever was in that position defaulted on the first mortgage, the City would lose the land. Mr. Casey said that would be something negotiated, but Mr. Damone did not really agree. Mr. Casey said it would depend on how the development was being financed. Mr. Damone asked if the City was prepared to finance the buildings, and Mr. Casey said that the LDFA potentially could do that through bonds.

It was Mr. Damone's opinion that it should be put on the shelf for two years because he felt they would be wasting their time. He did not see the market coming back or anyone willing to put in any money. He thought that anyone negotiating with a governmental agency would have to be sure their interests were in line. He would want the basic plans in place so they did not have to go through the planning process and a lot of other issues. He stated that he would not be in favor of putting funds into that project at all at this point in time.

Mr. Casey said they were anticipating that this process would take the rest of 2010 to find a preferred developer, so they would not do any kind of work this year. Once they had a preferred developer in place, there would be a series of meetings to strategize over what the best course would be to proceed. They were not interested in putting a lot of money into a project until they knew what it was. They did not want to build roads up front or put in water, but they could do some preliminary engineering on the stormwater system and some geotechnical work on the land to understand the best location to build buildings and do some marketing. They could spend little amounts of money in ways to help them. They did not want to have to search for a developer for five or six months and potentially lose a deal. By having a preferred developer already selected, it would save half a year. He was not suggesting spending money to do pre-development, but what he had suggested would cut corners and put the City in a good position when they found a prospect.

Mr. Damone agreed they had to have all that in the place. He thought it would be prudent to get ready to do something, but they needed to make sure that the City's objective with the land was clearly defined. If the objective was to get \$3 million back, that would not work. Mr. Casey thought it might take ten years before land ever got back to where it was, and he did not think the City wanted to sit on the property that long. He believed that the way forward was to do a negotiated ground lease term whereby the City continued to own the land and a developer would own the assets, and at some point, the City would transfer the ownership of the land to the developer. That would be the result of taxes generated from whatever development went there. That was a key issue to him, and if they could not sell the land and their money back, they might as well make sure it got developed and at least generated tax revenue.

Mr. Pawlowski asked how many dollars were in the land to date. Mr. Casey advised that when the manufacturing plant was there, they were spending over \$60k a year in maintenance. It cost about \$170k to demolish the building.

Chairperson Slavik referred to a proposed DTE substation on the proposal and asked if it had already been determined. Mr. Casey said it was shown because certain prospects might need an industrial substation, and he wanted them to know there was potential to put it onsite. It might not be needed. Chairperson Slavik commented that he would like the school system to buy some of the land on Hamlin and expand their bus facility because their current location (near where he

lived) was noisy all night long.

Mr. Casey related that there was a company looking at the 92k square-foot building next door and after going through a lengthy due diligence and factoring in every cost, one of the reasons they chose to go somewhere else was because they did not like the possibility of the busses going up and down the private street.

ANY OTHER BUSINESS

There was no further business to come before the LDFA Board.

NEXT MEETING DATE

The Chair reminded the Board that the next Regular Meeting was scheduled for July 8, 2010.

ADJOURNMENT

Hearing no further discussion to come before the Board, the Chair adjourned the Regular Meeting at 8:45 a.m.

Respectfully Submitted,

Stephan Slavik, Chairperson
Local Development Finance Authority