

Potential Sale/Purchase: Meadowfield Property/Adams Apple Site

Background

In August of this past year, members of staff met with representatives of the Lombardo Company (Lombardo). During that meeting Lombardo asked if the City had any interest in “swapping” the 10 acre site on Meadowfield owned by the City for the 10 acre piece on Adams Road known as Adams Apple (owned by Marvin Williams). The swap was offered in the context that the Williams site is contiguous to the 25 acres the City owns and has been named the “Eugene Nowicki Park”, albeit undeveloped at this time.

History

The City purchased the Meadowfield site (15-22-226-016) on August 27, 2001. The purchase was made to promote the site for consideration of the new Older Person’s Commission Facility that was ultimately built on Letica Road in Rochester. The City paid \$1.1million for the property in 2001. The site contains 9.581 acres; is flat; and is clear on the southern half and heavily wooded on the northern half. There is one small linear non-regulated wetland on the property. The site is zoned SP to promote an elderly care type facility. To the north is the rear of the Home Depot store; to the east is a parking lot supporting the back of the Winchester Mall; to the west is the Northridge Apartments; and to the south, across Meadowfield Drive, is the Meadowfield Condominium complex consisting of tri- and quad- attached units. The site is rectangular and excludes the southeast corner that is developed as a Day Care facility.

The Adams Apple site consists of two parcels (15-08-100-006 and – 007) the collective acreage is 9.448 acres. The site has been used as a tree nursery, sales of landscape materials, firewood, and seasonal holiday trees. The land is relatively flat. To the north is a large lot (5 acres+/-) used as a single-family residence; to the east are several homes of the Shadow Woods neighborhood (Snowmass Drive); to the south is the City’s 25-acre Eugene Nowicki Park, and to the west, across Adams Road, is the Brookedale Woods neighborhood.

As Council is aware a rezoning request was made for the Adams Apple parcels in late 2003. This rezoning request was from a current designation of R-1; Single Family Detached Residential to an R-4, Single Family Detached Residential, The rezoning would have permitted a greater density. The Planning Commission recommended against the rezoning and the matter was withdrawn by the applicant while being heard by Council.

Process

In the initial meeting with Lombardo staff gave no indication one way or the other regarding the question of the swap but rather asked that they be provided time to discuss the matter with City Officials. Staff then met with Mike Hartner, Director of Parks and Forestry, to ask if there was any interest in adding land to the Nowicki Park. Mr. Hartner, advised that an additional 10 acres of relatively flat land would be a plus in meeting

objectives of the City's Master Parks and Recreation Plan. The specific objectives identify the need for active recreational fields in the northwest part of the City.

The next step was discussing this question of a land swap with the Mayor. The Mayor expressed her reserved support for this action but insisted an appraisal be conducted at the expense of Lombardo. The purpose of the appraisal was to determine the levels of value that were being proposed as part of this "swap".

Lombardo agreed to the appraisal; Jean Farris, City's Purchasing Manager, secured three bids from qualified appraisers; Frohm and Widmer were selected at a cost of \$9,000. Once a check was deposited with Ms. Farris, made payable to Frohm and Widmer in this amount, the Notice to Proceed was issued. The City received the appraisal in mid-November. A copy of the appraisal was provided to Lombardo. Lombardo was advised to prepare a Purchase Agreement and submit it to the City for consideration. They were further advised that if they had any questions as to the structure of the Agreement to contact the City Attorney, John Staran.

On December 6, 2004, the Planning Department had an impromptu meeting with Mr. Bill Gilbert. In that meeting, Mr. Gilbert asked if the City might consider selling him the property the City owned on Meadowfield Drive. Knowing that another Purchase Agreement was being prepared by others for submittal to the City I advised Mr. Gilbert that the City has had some discussions regarding selling the parcel. As Mr. Gilbert continued in his questioning, I suggested that we meet with the City Attorney regarding this. Mr. Staran was available as it was Monday afternoon. During this meeting Mr. Gilbert was advised of a pending offer that may be submitted to the City any day. Mr. Gilbert was also advised that if he so decided to submit a proposal that it too would be presented to the City Council for consideration.

The following day, December 7, 2004, Mr. Gilbert submitted to the City a Purchase Agreement for the Meadowfield parcel.

In discussing this with the Mayor she asked that I contact Lombardo to advise them that the City had received another proposal to purchase and to ask them to submit theirs as soon as possible.

On December 22, 2004, the City did receive a Purchase Agreement from Lombardo. This agreement included the provision of deeding to the City the Adams Apple parcel on Adams Road as partial payment toward the Meadowfield site. Summaries of those two offers are shown on the following table.

Please note that the analysis and opinions offered in this report are the collective efforts and opinions of a committee comprised of

Kurt Dawson, City Treasurer and Assessor

John Staran, City Attorney

Mike Hartner, Director, Parks and Forestry

Jean Farris, Supervisor of Procurement

Ed Anzek, Director, Planning and Development

Information

	Meadowfield Parcel	Adams Road Parcels
Sidwell	15-22-226-016	15-08-100-006 and – 007
Zoning	SP Special Purpose	R-1 One-Family Residential
Land Use	Senior Housing	Single Family
Size	9.581 acres	9.448 acres
Dimensions	500’ x 942’ +/- less 140’ x 280’ (daycare)	400’ x 1087’
Cost	\$ 1,100,000. (2001)	n/a
Appraised Value <i>Frohm & Widmer</i>	\$ 1,220,000 (11/2004)	\$ 1,085,000 (11/2004)
	\$ 127,335/ acre	\$ 114,834/ acre
	\$ 2.92/ square foot	\$ 2.64/ square foot

Comparison of Purchase Agreements

W. Gilbert Purchase Agreement:

Purchase Price:	\$1,980,000
Appraisal Value:	\$1,220,000
Difference:	+ \$760,000

Exceptions:

Purchase Price is subject to adjusted upwards/downwards based on 120 dwelling units constructed on the property by the addition of \$16,500 per dwelling unit approved by the City for construction above 120 units or downward by \$16,500 per dwelling unit for each unit approved by the City below 120 units, but in any event purchase price shall not be below **\$1,850,000.**

Purchase Price	\$1,850,000
Appraisal Value	\$1,220,000
Difference	+ \$630,000

Deposit by Seller to Escrow Agent \$50,000

Inspection Period:

- Purchaser shall have 90 day inspection period
- Wants a temporary easement to conduct testing and will not hold the City harmless
- City to provide all documentation it has on the property

If Purchaser decides property is unsatisfactory or its intended development plans for the property are not feasible, Purchaser may terminate agreement.

Approval Period:

- At end of inspection period, purchaser will submit application for rezoning, site plan and other approvals for a residential development
- Purchase has 180 days from effective date of PA to obtain approvals
- Escrow Agent shall pay City \$25,000 of deposit monies, non-refundable to Purchaser
- City agrees to sign and support any and all petitions and other documents necessary for rezoning, site plan and other approvals. If Purchaser does not receive necessary approval, the remaining \$25,000 held by the escrow agent will be returned to Purchaser.
- Purchaser can extend the approval period for two (2) additional 3-month periods. With first extension City receives remaining \$25,000 (non-refundable unless City defaults) from escrow agent and with second extension City receives \$10,000 (non-refundable unless City defaults) from Purchaser.
- Closing will occur 30 days from end of extended approval period

City to pay for and supply Title Insurance Commitment to Purchaser 20 days after date of PA. Also instruments concerning title reflected in commitment shall be supplied and paid for by City at closing. If Purchaser objects, can rescind PA.

City to pay for survey 20 days of effective date. If Purchaser objects, can rescind PA.

City to warrant and represent to Purchaser:

- Current fee simple ownership
- No claims, actions, etc. threatening property
- City has full power to sell, no restrictions
- All assessment are disclosed; no condemnation
- Property is insured
- No toxic or hazardous substances or wastes
- Purchaser (Gilbert) shall be able to obtain density approve from the City to construct on property a minimum of 100 dwelling units

Purchaser (Gilbert) can terminate agreement at any time.

Conditions Precedent to completion of transaction:

- Seller's ability to convey marketable, insurable title in condition required under PA

- Representations and warranties are true at date of closing
- Purchaser (Gilbert) is satisfied w/ availability & location of all utilities and storm water drainage
- Purchaser (Gilbert) has obtained from City rezoning and site plan approval for Purchaser's intended use as a residential development
- Seller has complied w/ all terms and conditions of PA

City to pay transfer taxes, liens; taxes prorated.

Offer termination 1/31/05

Lombardo Land Exchange

Adams Rd Property for Meadowfield Property

Cost Difference: Offer	\$1,850,000	\$1,850,000
Value: City/Lombardo	\$1,220,000	\$1,600,000
Difference:	\$630,000	\$250,000
(between Lombardo value & appraisal value)		

Lombardo pays City: - \$250,000 (diff between Adams & Meadowfield values)
 - + all taxes, spec assess & water & sewer charges on
 Adams property

Lombardo pays: - Title Insurance/Survey for Adams Road
 - One-half (1/2) of closing costs
 - Recording fees/transfer taxes/revenue stamps

Lombardo has right: - Due diligence on Meadowfield property ; City to
 supply all documents on property
 - To assign the Purchase Agreement - 49%
 Assignee to assume all obligations in PA

City pays: - All taxes, spec assess & water and sewer
 charges on Meadowfield
 - Title Insurance/Survey for Meadowfield
 - One-Half (1/2) of closing costs
 - Recording fees/transfer taxes/revenue stamps

City cooperates: - Lombardo's efforts to develop Meadowfield Prop. -
 Supply all documents on property

Contingencies to be met to satisfaction of Lombardo, as determined by Lombardo in Lombardo's sole discretion

- Prel Site Plan for PUD w/ 60 ranch condo unit (15 bldgs w/ 4 units per building approved by Plan Commission and City Council
- City agrees in writing to waive housing for elderly requirements
- City agrees in writing to waive tree survey and removal requirements
- City agrees in writing to waive Zoning Ordinance, laws, etc. that is not consistent w/ PUD site plan submitted by Lombardo
- Lombardo acquiring the Adams Rd property from Williams'
- City complies w/ terms and conditions of Purchase Agreement and delivers to Lombardo all documents required by Purchase Agreement
- No proceedings, legal or administrative shall be instituted related to Meadowfield property or transactions contemplated by Purchase Agreement

Closing: After all contingencies are met, closing to occur within 30 days

Indemnification:

Lombardo wants City to hold them harmless regarding contaminants or hazardous substances on the Meadowfield property.

City to represent and warrant to Lombardo:

- Transfer fee simple title, all liens, etc. paid
- City's authority evidenced by documentation satisfactory to Lombardo's counsel
- No adverse changes to Meadowfield property prior to closing
- No ordinance violations on property
- No material defects to Meadowfield property preventing Lombardo from developing and constructing residences, including soil defects
- No violations of Federal, State or local govt regulations or law or contemplated or pending condemnation actions
- No other purchase agreements, lawsuits, etc.
- All information provided to Lombardo is true and accurate
- No contracts for construction on property; hold Lombardo harmless from imposition of construction liens
- No tax deficiency
- City is not a foreign "person"
- Nothing to impair public access to property
- No outstanding personal property or business taxes, etc. owed by City
- City not to lease, encumber, enter into other agreements binding

- Lombardo, change status of Meadowfield property
- Not a qualified agricultural property
- Consists of 9.581 acres
- All of the above are correct in all material respects

City to further indemnify Lombardo for all above (all in Paragraphs 10 and 11 of PA)

*All provisions to Purchase Agreement **must** be reciprocal.

Potential Use: PUD Development

Pros and Cons

The City is faced with two very distinct and competing opportunities. Simply stated the outright sale of the Meadowfield property would result in an approximate \$750,000 gain on a land purchase in a little over three years. The land swap proposal would gain for the City additional acreage of parkland contiguous to the Eugene Nowicki Park on Adams Road plus \$250,000 in cash.

Tree Loss. Either development as proposed will result in virtual clearing of the trees on Meadowfield site. Site is heavily wooded with large diameter Oak Trees. However, site would have been cleared if City had gone forward with OPC Facility or a Community Center that has also been stated as a potential use.

Tree Loss in exchange for Park Land gain. Does City gain “benefit, break even, or lose” by selling 10 acres of land planned for development that is heavily wooded while putting into perpetual preservation a 10 acre parcel that can add parkland to the northwest area of town. An area previously identified in the Parks and Recreation Plan as being deficient in parkland.

Density. One proposal calls for a guaranteed minimum of 100 units. The other calls for 60 units. This equals a density of 10.5 du/a and 6.3 du/a respectively. The Northridge Apartments, northwest of the site, has an overall 9.7 du/a density (529/54.53 acres). Ten and a half units per acre is not out of the question but this City historically would be more concerned with quality rather than quantity.

Park expansion. Outright sale will probably result in residential units being built on both sites virtually eliminating expansion of Nowicki Park. Adams Apple parcels are considered to be of adequate size to add 4 fields for soccer and /or football. The current 25 acres are rolling and heavily wooded. It should be noted that recent failure of Open Space millage was for open space and not parkland development. It is suggested that the two are distinctly different.

Need for More Sports Fields. The Planning and Development Department receives about 5 inquiries annually if we know of any land available for private interests to build sports field for organized soccer and football fields. These inquiries have been discussed with Mr. Hartner who advises there is a very high demand for organized leagues to rent fields.

City purchase of Adams Apple parcel. Can the City buy the Adams Apple parcel with the proceeds from the Meadowfield sale? Answer is unknown. It is suggested for consideration that the option price that Lombardo has gained control of the parcel is \$1.6m since they suggest that as the value of the site in their proposal. If that is the sale price that has been established then two things are necessary for City to affect a purchase. 1) Lombardo would have to walk from their option and surrender all earnest money and, 2) The City would have to spend about \$1.6m+/- to purchase the site. Proceeds from the Gilbert sale would be about \$1.8 m (\$1.1m initial costs plus \$700,000 net gain) leaving a cash amount around \$200,000.

Proceeds. What does City do with the monies? The Meadowfield site was purchased for \$1.1m with General Fund Fund Balance in 2001. A direct sale will return about \$1.8m to the City. Does the City subsidize the Local Road Fund? Recent Council policy in Budget workshops said NO to transfers to Local Road Fund from General Fund. Does the City use the Money or any portion toward development costs of the Nowicki Park? Does the City use a portion and “earmark” it for matching grants for park development (specifically Nowicki Park)? Would recent strategies suggest putting the monies into the City’s General Fund Balance in anticipation of offsetting more Revenue Sharing cuts that are predicted?

On-going tax revenue generation. Although specifics are unknown because any development is not finalized there will be additional tax revenue generated by the development of the Meadowfield site. For discussion purpose I would suggest both developments might be similar in tax generation. Oftentimes more units mean smaller units nevertheless assessed value is also driven by units. One could also assume that an outright sale of Meadowfield will also result in the development of the Adams Apple site. An estimated 26 homes might be built on this ten-acre site. Assuming a \$500,000 home; the taxable value of \$250,000 would generate about \$2,300 per home or about \$60,000 per year. Of this amount a third (\$20,000) would go toward general government and the remaining monies toward dedicated services (Fire, RARA, OPC, Bond Debt, Police, etc.)

On-going Costs. It has been suggested in this report that if the ten acres were added to the Nowicki Park there could be active fields developed to meet demands. Mr. Hartner advises that revenues would offset maintenance costs creating no additional on-going costs. Mr. Hartner further advises that initial development costs will be in the \$300,000 to \$400,000 cost range for the development of 4 fields. These costs include field prep, irrigation, seeding, and a hard surface parking lot to support the users.

Recommendation

After careful review and consideration of the two Purchase Agreements the Committee would like to make the following points and recommendations.

Both Proposals have merit for further considerations and for working toward achieving several Goals and Objectives of the City Council. However, because of various representations and approvals written into the Purchase Agreements the Committee has no choice but to **recommend to Council that both be rejected**. The basis for the recommendation to reject lies in the fact that both Agreements contain language that grants certain approvals and waivers from ordinances for which other processes are in place to resolve. As an example, both Agreements establish a minimum number of units. Without the benefit of conducting any site plan review for technical compliance the predetermined density could place the City in a position of being forced to approve a plan that runs contrary to good design and development standards.

The Committee further recommends that Council continue with a course of action that enables the Committee to continue discussions and/or negotiations with the prospective purchasers to resolve those elements of their Purchase Agreements. To achieve this however is not as simple as it may seem. In typical land transactions a developer will “purchase” an option. That option enables the developer to seek all appropriate approvals that provide the developer a level of comfort that his/her right to develop is vested. This usually occurs at the issuance of a Land Improvement Permit. It could be cumbersome for the City to “sell” two options to two different people. It is also difficult to ask any developer to go to the expense of gaining site plan approvals if they have a 50/50 chance of even buying the property. To that end it is suggested that the city determine if both parties are willing to discuss/negotiate without the benefit of a contractual option. The additional time would enable the prospective developer to further refine their overall development scheme that can be used to assist the City Council in their ultimate decision.

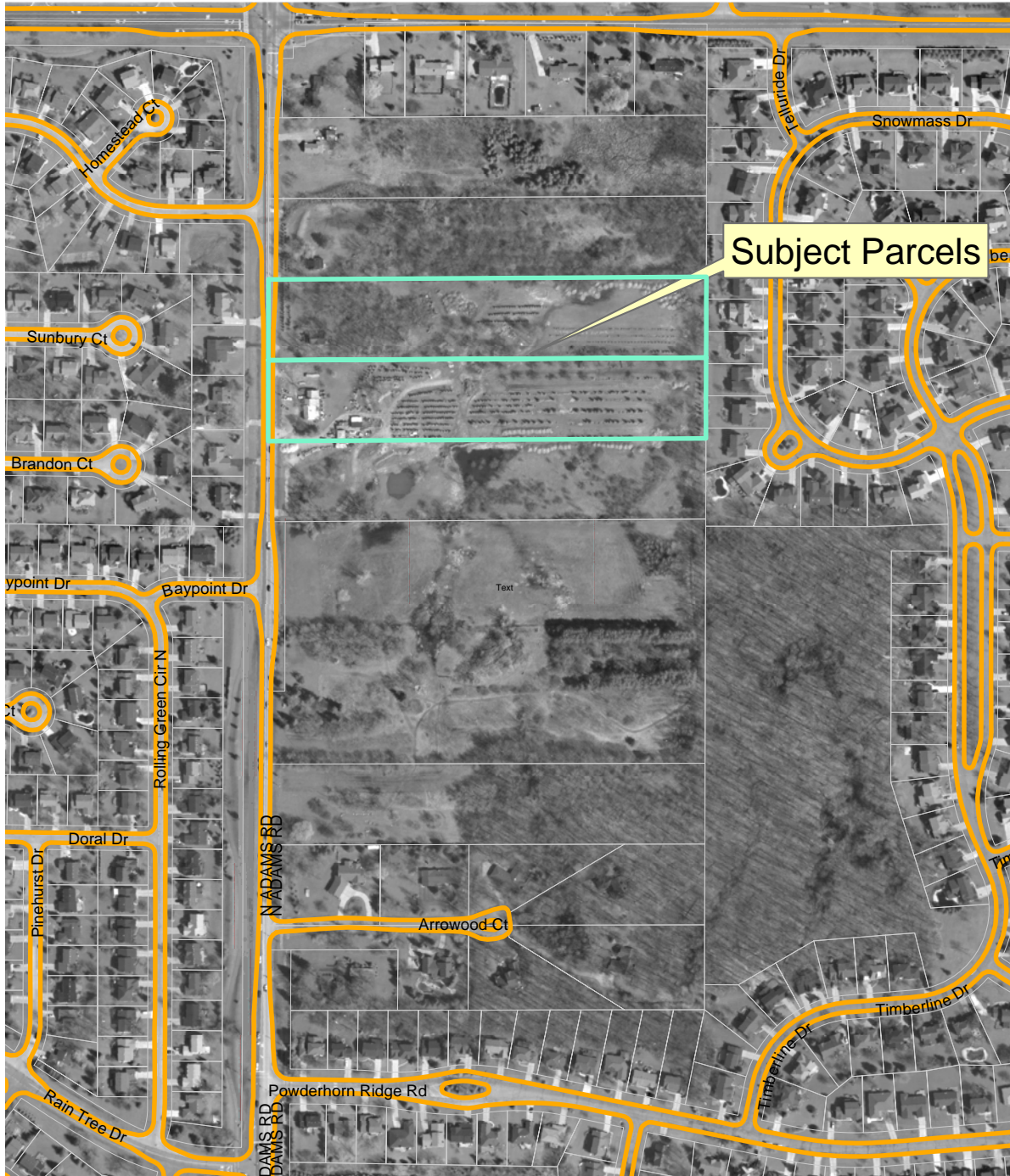
Meadowfield Property



Aerial photographs as of April 2002.
Parcel lines were obtained on 01-03-05 from Oakland County
Although the information provided by this map is believed to
be reliable, its accuracy is not warranted in any way. The City
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01/14/2005

Adams Apple Properties



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