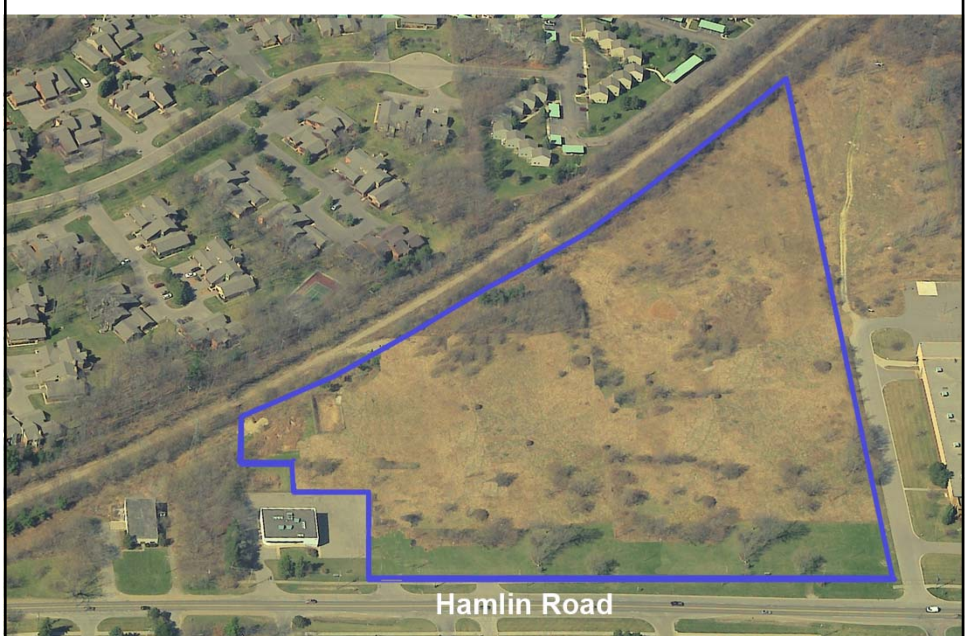
Interchange Technology Park

(Hamlin Road Property)



Current Status

1. Market is still slow
2. Land prices are declining
3. The Hamlin Property has returned to the tax rolls because it no longer is considered to be “serving a public purpose.”
4. TCV at $4,087,680, well under the minimum $4.5-million we have to sell the property for

Annual Taxes Due beginning in 2007:

$99,000

Options for Tax Payment

1. Pay the tax annually until property sells
2. Sell the land to the LDFA and let it pay annual taxes
3. Convey property to EDC until it sells – property will become tax exempt in 2008

RECOMMENDATION #1:

Sell the property to the LDFA, entering Into a payback agreement. Allow the LDFA to market the property.

Advantages

1. City retains control of process and final approvals of sales or leases
2. LDFA’s (SmartZones) can buy, sell, lease and even construct projects
3. LDFA can bond for immediate payback
4. LDFA can sell or lease property below market rate

Disdvantages

1. Future deals will have to go through review and approval by LDFA Board before going to City Council
2. The property will still be taxable, but the LDFA will become responsible for payment
3. A negotiated portion of the LDFA’s captured taxes will be committed long-term to either the payback to the City or payment on bonds

Prospects

1. 2-acre 30,000-s.f. corporate HQ, w/ R & D and manufacturing – a Rochester Hills company – Occupancy in 2 years
2. 110,000-120,000 s.f. manufacturing and corp. HQ – a Rochester Hills company – Occupancy of March, 2008
3. 30,000-s.f. automotive HQ and engineering – Hamlin is 2nd choice – occupancy?
4. 60,000-s.f. auto supplier w/ HQ – occupancy in mid-2008

LAND COST IS STILL A PROBLEM!

1. Market rate for comparable land is $200,000 to $250,000 per acre and declining.
2. Companies are still leaving Michigan for lower cost states. They're being offered:
   a. Free or low-cost land
   b. Grant money – COMERICA!
   c. Free job training
   d. Lots of infrastructure for free!

PROSPECT #1:

1. Company that has been located in the Rochester area since its inception in 1985
2. 155 employees and tax revenue to all jurisdictions of $160,000 from personal property of which $30,475 is City tax
3. No available buildings of 120,000 s.f. in Rochester Hills
4. Local competition – aggressive lease package
5. Eliminating land cost reduces rent by $1/s.f.

PROSPECT #4:

1. Considering sites in North & South Carolina with free land
2. Offered many incentives to relocate
3. Michigan's package is woefully short – $6-million gap
4. Michigan's operating costs are higher than most states
5. The company may stay if we eliminate land costs, preserving 200 jobs, and $227,000 in current revenue to all jurisdictions

Revenue Projection

Use	Sq. Feet	TCV	12-Year Revenue Real Property	12-Year Revenue Personal Property	TOTAL
Office	200,000	$22,000,000	$2,349,975	$442,253	$2,792,228
R & D	200,000	$16,000,000	$1,709,072	$589,670	$2,298,742
Manufacturing	210,000	$12,654,000	$1,351,663	$800,293	$2,151,956
Mix use	210,000	$17,500,000	$1,862,095	$619,154	$2,481,249

Options

1. Continue marketing the property the same and pay land tax
2. Convey the property to the EDC later this year – becomes tax exempt
3. LDFA or City develops the property as a condo development
    a. Float bonds to construct buildings, then lease or sell the buildings
4. Conduct an auction
    a. We pay auctioneer commission
    b. We lost control over development except through normal site and building plan review
    c. What if buyer seeks a rezoning?

Options (continued)

5. RFP to select Preferred Developer
    a. Land payment delayed until leases are signed or PA’s completed
    b. Land development costs are negotiated
    c. Developer and City work together to plan for the development and market the property
6. Conduct an RFP to sell off the property in parcels
    a. City develops a concept plan for development
    b. Drafts RFP