

City of Rochester Hills
Department of Planning and Economic Development

To: Members of the Economic Development Corporation

From: Dan Casey, Manager of Economic Development

Subject: Special Meeting September 28, 2010

Date: September 27, 2010

A Special Meeting has been scheduled for 5:30 pm on September 28, 2010 in Room 221. The purpose of the meeting is to present to the EDC a development opportunity and to learn of EDC's role and responsibilities.

The project entails an 180,000 square-foot building to be constructed on the 15.6 acres of city-owned land at 1544/1600 W. Hamlin Road (formerly the Letica site). The building will be the national headquarters of Vehma International, a division of Cosma International, which is part of the Magna family of companies. It will be a management, engineering, R&D, prototype development complex.

The program, as it has been structured, can be summarized as an EDC Recovery Zone Bond Issue to cover the construction costs. The city-owned land will be conveyed to the EDC, and the EDC will own the building. The program is further being structured that through annual lease payments, the debt service on the bond issue will be retired in full at the end of the 15-year lease. Vehma has asked for two 5-year options for renewal.

The City has been trying to sell the Letica site since 2001 once it was decided to construct a new DPS facility at the present location. I need not go into detail about falling land values, but efforts to recover the monies used to buy the Letica site has been difficult. It was bought in 1999 using Water and Sewer (W&S) Funds. Over time, two smaller parcels were sold that has returned \$2.1 million to the W&S Fund leaving a balance of \$4 million.

This program "backloads" the land costs to be recovered beginning in year 16. We have determined that a \$4 million land sale with 3% interest accrued from 2010 will result in a \$6.3 million amount paid to the Water and Sewer Fund beginning in year 16. Depending on the lease terms, it may take five to six years. It is estimated that the W&S Fund will be made whole in the year 2030.

Attached are two Resolutions for the EDC's consideration and approval Tuesday evening. The first is an Inducement Resolution to announce our intent to induce and issue bonds. The second Resolution describes the project area, recommends that City Council approves the project area, and requests that two additional members be appointed by the Mayor to the EDC Board of Directors. State Law requires two additional members from the general area. More detail will be provided Tuesday evening.

cc: Bryan K. Barnett, Mayor
Ed Anzek, Director, Planning and Economic Development