

**CITY OF AUBURN HILLS  
BROWNFIELD REDEVELOPMENT AUTHORITY**

**March 23, 2000**

**LOCATION:**  
Auburn Hills 48326

Civic Center, 1827 N. Squirrel Road,

**1. CALL TO ORDER:**  
at 6:00 p.m.

Chair Capen called the meeting to order

**2. ROLL CALL:**  
McDonald, Vettel  
Absent.  
Also Present.

Present. Capen, Douglas,  
  
Love  
Assistant Manager Greve  
City Development Director McBroom  
Treasurer Valko  
Councilman Pillsbury  
City Attorney Tom Allen  
Brian Eggers, Peerless Environmental  
7 guests

**3. PERSONS WISHING TO BE HEARD**  
None.

**4. APPROVAL OF MINUTES**

Mr. Capen questioned the wording "tax reimbursement", page 2, second from last paragraph, if it shouldn't read "tax abatement". Mr. Greve explained "tax reimbursement" was the correct term.

Mr. Douglas moved to approve the minutes of September 1, 1999 as submitted.  
Supported by Mr. McDonald

**VOTE:**  
McDonald, Vettel  
No:

Yes: Capen, Douglas,  
  
none

**Motion**

**carried (4-0)**

**5. ELECTION OF OFFICERS**

Mr. Douglas nominated Mr. Capen for Chairman. Ms. Vettel closed the nominations with Mr. McDonald's support.

**VOTE:** Yes: Capen, Douglas, McDonald, Vettel  
No: None

**Motion carried (4-0)**

Mr. Douglas nominated Mr. McDonald for Vice Chairman. Mr. McDonald politely declined the nomination.

Ms. Vettel nominated Mr. Douglas for Vice Chairman. Mr. Capen closed the nominations with the support of Mr. McDonald.

**VOTE:** Yes: Capen, Douglas, McDonald, Vettel  
No: None

**Motion carried (4-0)**

**6. PRESENTATION OF PROPOSED PROJECT - J.A.R. DEVELOPMENT**

Mr. Greve suggested all portions of the agenda pertaining to the J.A.R. Development be heard, before any motions are made.

**Mr. Jared Roth**, with J.A.R. Development, stated the site is an 18 acre site and is currently zoned Light Industrial (I1). J.A.R. Development is planning to construct seven different buildings on this site, which is called Auburn Business Park. The buildings will look similar with the same type of materials, a brick and block combination. Each building will meet the need of the individual tenant. Six of the buildings will range in size from 16,500 square feet to 30,00 square feet (with a mezzanine). The largest building will be placed at the back of the site and measure approximately 60,000 square feet. The topography of this site is difficult to work with, that is the reason for the step down effect of the different buildings. There is about a 90 foot fall from the one side of the site to the edge of the retention pond. **Mr. Roth's** family has looked at this site for the last 8 to 10 years, and it is only with the brownfield plan that they are confident enough to proceed with such an undertaking.

**Mr. Roth** continued, stating with the approval of this Authority, J.A.R. Development will provide all the investment money in the beginning, keeping the City from taking all the risk. J.A.R. Development will only be reimbursed by the City if the project is successful and the tax increments become available. **Mr. Roth** reviewed the booklet he distributed to the Authority showing some of the projects he has completed. The J.A.R. Development Company expects to build and lease out 2 to 3 buildings a year, starting with the smaller buildings and completion of the largest building being done in three years.

**Mr. Roth** introduced **Richard Barr**, of Dean & Fulkerson, Environmental Attorney, an expert on brownfields and **Cheryl Kerhes-Dietrich**, S.M.E., who put together the environmental plan.

Mr. McDonald asked about the 18 acre parcel, if this was just a portion of the site or was there more. **Mr. Roth** said he currently didn't own the entire 36 acres, he only owns the north 18 acres and an easement to the retention pond. He does have an option on the other 18 acres and a similar site plan has been incorporated including use of the retention pond to be done in Phase II. Mr. Greve stressed the portion of the plan that is being dealt with now is only Phase I.

Mr. Douglas was interested in where the ingress/egress might be in the second phase. **Mr. Roth** wasn't sure, however with the original plan the State has granted J.A.R. Development two (2) points of access because of the extremely steep grade. Preliminary approval has been given, however he has yet to receive a permit from the State.

Mr. Greve introduced Tom Allen from the City Attorney's office, a specialist in environmental law, and Brian Eggers, a consultant from Peerless Environmental, both consultants to the Authority.

## **7. REPORT AND RECOMMENDATION ON BROWNFIELD PLAN - J.A.R. DEVELOPMENT**

Mr. Greve started his presentation stating the Brownfield Plan is a broad perspective of what the project is; what is wrong with the site currently condition wise; what will be done to clean it up; and most importantly, how much will it cost and what is the developer asking for in financial assistance from the Authority.

Following is a summary of Mr. Greve's presentation:

### **Current Conditions**

Current Taxable Value: \$95,950.00

Current Annual Tax Revenue \$4,031.00

### **Anticipated Outcome**

Projected Taxable Value: \$10,257,313.00

Projected Annual Tax Revenue: \$240,915.00

### **Authority's Role**

Investment By Authority: \$850,000.00

### **Other Benefits**

Creation of Revolving Fund: \$850,000.00

Creation of 500 jobs

Mr. McDonald inquired if only Phase I was a brownfield concern or was Phase II a possible brownfield project as well. Mr. Greve explained the soils map and the ground water maps indicate the possible areas of contamination on both of the 18 acre parcels. The bulk of the surface contamination is present on the first phase, however Phase II does show ground water contamination (which is not being addressed as part of this Phase I project).

He continued by giving a brief description on the statutory elements of the Brownfield Plan and the guidelines for Brownfield Plan approval. At this time, J.A.R. Development is at step number 6 of the guidelines, Preliminary Approval. Mr. Greve is hoping this can be recommended for approval to the City Council at the April 3, 2000 meeting. He feels the plan has been reviewed by professionals and is very sound.

Regarding the contamination, it is mostly surface contamination, things that need to be collected, excavated from the site, hauled away, and deposited in an appropriate facility. The following is a description of costs to be paid for with tax increment revenues and a summary of eligible activities, as presented by Mr. Greve:

Tax increment revenues will be used for response activities incurred after November 1998 through December 1999 and thereafter.

**Costs Incurred To Date:**

- (1) Phase I ESA
- (2) Phase II ESA and preparation of a baseline environmental assessment
- (3) Preparation of this brownfield and work plan for additional environmental activities related to the site.

**The proposed future due care activities include:**

- (1) Conducting a ground conductivity survey to evaluate the presence of additional buried drums at the site.
- (2) Exploration of anomalies indicated by the ground conductivity survey.
- (3) Excavation and disposal of abandoned containers discovered at the site.
- (4) Additional soil and groundwater assessment in the areas where abandoned containers are discovered.
- (5) Preparation of due care plan for construction and occupancy of the site.

**Proposed future additional response activities include:**

- (1) Excavation of unsuitable and impacted fill from the site and disposal of the fill at an appropriate, licensed facility.
- (2) Verification sampling to verify the effectiveness of the excavation activities.
- (3) Preparation of a report to document the removal effort and present the results of the verification samples.
- (4) Preparation of a second baseline environmental assessment for the entity which is expected to develop the site in the event that the site is a facility at the time of transfer of title to such entity.

**Costs Eligible for Reimbursement**

- A. Approximately \$125,000 of eligible response activity costs incurred by the Developer and its affiliate since December 1998;
- B. Costs of approximately \$20,000 incurred and to be incurred by the Developer to prepare amendments to this Plan and a work plan for response activities at the J.A.R. Development Site;
- C. The costs of implementing the response activities described in one or more work plans approved from time to time by the Authority for the J.A.R. Development Site, which may include all eligible activities permitted under law; the projected costs for these activities will be included in the work plan to be approved by the Authority (approximately \$570,000); and
- D. Administrative costs of up to Ten Thousand Dollars (\$10,000.00) per year to reimburse the Authority of the City of Auburn Hills for documented eligible expenses incurred and permitted to be paid by the Authority in connection with the activities implemented under this plan for the J.A.R. Development Site.

**ALL COSTS, LESS ADMINISTRATIVE COSTS, WILL BE FINANCED BY J.A.R. DEVELOPMENT**

J.A.R. Development will be financing the project and be re-paid by the Authority at 8% interest. Mr. Douglas questioned Mr. Greve as to who arrived at the eight (8) percent interest. Mr. Greve explained it was an interest rate that both J.A.R. Development and the City agreed on. **Mr. Roth** explained, J.A.R. Development had looked at the percentage rate they were being charged to borrow the money and 8% was below the prime interest rate at the time this was agreed on. Mr. Douglas was curious to know if the DEQ looked at the interest rates. Mr. Allen stated that it was looked at to make sure an interest rate was not inappropriate.

Mr. Capen asked if the \$10,000.00 was an adequate amount of money for administrative costs. Mr. Greve replied the \$10,000.00 is per year, and explained the reimbursement is for the external costs the City incurs in relation to these projects. When this Authority is done and dissolved, the assets of the Authority go to the municipality and could be very sizable.

Mr. Greve explained a table showing the estimate of the captured taxable value and tax increment revenues. The table as presented fulfills all the requirements. This table shows each year of the project and moving down the table it shows the value of the land, the tax rate applied, tax on existing property as the buildings are built, new equipment, and culminating in a taxable value each year using conservative estimates. There is an assumption there will be abatements and they are built into this table, however the maximum on new abatements is six years. This table will need to be revised once the buildings are built and the sites are improved. Continuing down the table, it begins to calculate the total taxes for the year, the incremental taxes, which is what will be captured each year, and the cumulative incremental taxes. It is speculated J.A.R. Development will be paid back for their cost by the end of 2005.

Mr. Greve commented that existing legislation prohibits making deals with any other taxing jurisdictions or having agreements about sharing tax increments.

Mr. Douglas asked if the tax abatement would be prolonged after 2005. Mr. Greve explained the tax abatement is 50% for 6 years and has been incorporated into the table. As the abatement years come off, there will be increased tax revenue.

Mr. Eggers explained if the tax abatement is per building and the buildings are being built over a three year period there will be a ratcheting down effect. Once the developer is reimbursed for their expenditures, the brownfield plan becomes irrelevant to them.

Mr. Capen asked if there were any contiguous properties that could be captured. Mr. Greve said no, it has to be part of the project. Mr. Capen also inquired about the wording of the J.A.R. Development draft, page 14, last paragraph, sentence starting with, "After the Developer has been paid all amounts then due it from the Authority, tax increments will be used to pay or reimburse administrative expenses described in paragraph 1." He questioned if the Authority is allocated up to \$10,000.00 each year then the Authority doesn't receive any funds until J.A.R. Development is fully paid back. Mr. Greve explained J.A.R. Development submits a bill and gets paid first, and, if tax increment funds are still available, the Authority will get the administrative costs paid. Mr. Capen suggested if J.A.R. Development incurs all of their costs up front they would probably absorb all of the tax increments until they were fully paid off then the Authority wouldn't see any funds until the fifth year and questioned if the budget for the Authority could stretch that far. Mr. Greve replied potentially the opposite could happen as well with the acceleration of the project. **Mr. Roth** stated an amendment could be made so the Authority could recoup their cost as well. Mr. Capen's concern was explaining to the City Council this is a project that pays for itself, however they would need an increased budget. **Mr. Richard Barr**, Attorney for J.A.R. Development, stated the particular paragraph could be amended. Mr. Capen questioned item 4, page 15, Maximum Amount of Note or Bonded Indebtedness, mentioning \$2,000,000.00, if this is the developers indebtedness then does it belong in the plan. Mr. Greve believed it belongs in the plan.

Replying to Mr. Capen, Mr. Greve said this project is not in a TIFA district and the school taxes will be captured. In answer to Mr. Capen, **Mr. Roth** saw no reason the project would not go forward if the school taxes could not be captured.

Mr. Capen inquired as to the different entities owning the buildings. **Mr. Roth** explained when constructing speculative buildings and owning the buildings yourself, the mortgage companies are concerned with incurring another building's liability. Therefore, the reasons new entities are started are: (1) the mortgage companies like each building to have their company; (2) **Mr. Roth** and his partner **Merrick Farber** distinguish between who owns the property and who will be doing the investing for buildings that are on the property; and (3) the corporate limits of liability and tax reasons.

Mr. Greve suggested the following amendment to page 14, item 3, last paragraph: striking the portion of the sentence "After the Developer has been paid all amounts then due it from the Authority" and continuing with "Tax increments will be first used to pay or reimburse administrative expenses described in paragraph 1...".

**8. REPORT AND RECOMMENDATION ON WORK PLAN - J.A.R. DEVELOPMENT**

This is similar to the brownfield plan and includes the fine details of the problems of the site, the process to clean it up, and a budget. The work plan is what gets submitted to the DEQ for their review and approval in order to capture the school tax. If the DEQ requests amendments be made, only the work plan needs to be amended and that rests with this Authority.

There are maps available to see where the contamination is on the site and in the plan is a description of what contaminants are contained on this site and how much. Also, the test sites are shown on the maps as well.

Mr. Greve explained there is hope of getting closure on this site, which means the site will no longer be contaminated.

Mr. Greve presented the Fee Estimates for the work plan as follows:

**Due Care Activities**

Ground Conductivity Survey		\$ 37,000
Grid Line Surveying -----	\$10,000	
EM31 Assessment -----	\$22,000	
Magnetometer Assessment -----	\$ 5,000	
Exploration of Magnetometer Anomalies		7,000
Excavation and Disposal of Abandoned Containers (Estimate is on a per drum basis)		1,200
Additional Soil and Groundwater Assessment		
Additional Soil Sampling in Areas of Abandoned Container	10,000	
Collection and Analysis of 12 Soil Samples from Area #9	7,000	
Methane Assessment		9,500
Two Rounds of Groundwater Sampling from 4 Existing Shallow Wells	3,500	
Due Care Plan for Constructions		<u>5,000</u>
	<b>SUBTOTAL</b>	\$ 78,500
	(without drum disposal)	

**Additional Response Activities**

Excavation		
Waste Characterization Testing for Landfill Approval	\$ 5,000	
Contractor Fees for Excavation, Hauling and Disposal at a Type II Landfill (19,000 fully eligible c. yds. @ \$18/c.yd. and 5,000 c.yds. @ \$15/c.yd.	\$ 417,000	

SME Allowance for Meetings and General Consultation	\$ 3,000	
Verification Sampling		
SME Removal Monitoring (18 days with field equipment and mileage)	\$ 20,000	
Analytical Testing (73 samples for PNAs and metals, 32 samples for metals)		\$ 23,000
Preparation of Report Documenting Removal Activities	\$ 6,000	
Preparation of 7 BEAs and Due Care Plans in Connection with Site Development		\$ 17,000
<b>SUBTOTAL</b>	<b>\$ 491,500</b>	
<b>TOTAL</b>		<b>\$ 570,000</b>
	(without drum disposal)	

Mr. Douglas inquired whether DEQ took a look at the fee schedule, and if excessive amounts were looked at and also if there is competitive bidding on jobs or not. Mr. Greve stated the DEQ does look for excessive amounts in the fee schedule and **Mr. Roth** commented he takes 3 to 5 bids on the different portions of the project. Mr. Greve noted that to be working on site such as this, the workers must be trained in hazardous material excavation.

Mr. Eggers noted it is not necessary for J.A.R. Development to bring this site to a regulated closure, because they don't have the liability to do that. There will be a Due Care evaluation to make sure the site is suitable for the development and for future use. All of the buildings will be evaluated in the areas where potential contaminants could remain to be certain there is no exposure in the future. Mr. Roth commented his intent is to get this site off of the contaminated list.

In reply to Mr. Douglas, **Ms. Kehres-Dietrich** explained they are hoping not to find anything hazardous. There have been 4 drums found on the site, with 3 of those containing only tar and the other one has not yet been characterized. There has been no indication of anything hazardous from the 33 test pits and test trenches.

Mr. Eggers indicated if there was any hazardous situation found on the site that would dramatically change the work plan, the DEQ would need to be notified and approval would be needed. Mr. Greve also commented if this was to happen and J.A.R. Development wanted reimbursement, the plan would need to be amended.

#### **9. REPORT AND RECOMMENDATION ON DEVELOPMENT AGREEMENT - J.A.R. DEVELOPMENT**

Mr. Greve explained this document was drafted by the legal counsel of both the Authority and J.A.R. Development, and essentially says that J.A.R. Development will develop what they have proposed, and that the site will be cleaned up according to the brownfield plan and the work plan. The Authority in turn agrees to provide reimbursement as stated in the plan. If things are not done to the specifics of the plan, the Authority is not obligated to reimburse J.A.R. Development. All of the things in this agreement are related to the project, however not all things are directly related to the brownfield project.

Mr. Capen asked for clarification on page 2, item 3 regarding the Certificate of Occupancy, if a Certificate of Occupancy can only be obtained when: a) the buildings are complete; b) the utilities are ready and accepted; and c) all the environmental work has been done according to plan. Mr. Greve directed Mr. Capen to item 1 of the same page indicating all of these items fall under "Approval Requirements" .

**Mr. Roth** explained the intent is to clean up the entire site, then start the roads and streets, following up with site plan approval to start construction. However, because of the different degrees of clean up required in different areas of the site, the entire site may not be cleaned up by the time the first building is ready for occupancy.

Mr. Eggers said as part of the Due Care plan for the first developed building, there will be good documentation of the condition of the ground under the building to make it suitable for development.

Mr. Douglas questioned the ground water and if there was a detention pond. Mr. Greve showed on the map how the land drops off significantly and where the proposed retention pond would be located. Mr. Douglas asked if any of the contaminated ground water would or could leech into the detention pond. **Ms. Kehres-Dietrich** explained where the ground water contamination is would not be in the natural flow pattern for where the detention pond is to be.

Mr. Douglas moved to recommend to the City Council approval of the Brownfield Plan as amended. Supported by Mr. Vettel.

<b>VOTE:</b>	Yes:	Capen, Douglas,
McDonald, Vettel		
No:	none	

**Motion**

**carried (4-0)**

Mr. Douglas moved to approve the Work Plan and to forward the Work Plan to the MDEQ for their review and approval.

Supported by Mr. Vettel.

<b>VOTE:</b>	Yes:	Capen, Douglas,
McDonald, Vettel		
No:	none	

**Motion**

**carried (4-0)**

Ms. Vettel moved to recommend to the City Council approval of the Development Agreement .

Supported by Mr. Douglas

<b>VOTE:</b>	Yes:	Capen, Douglas,
McDonald, Vettel		
No:	none	

**Motion**

**carried (4-0)**

Mr. Greve announced this item would be on the April 3, 2000 City Council agenda, which meets at 7:30 p.m. in these same chambers.

## **10. OTHER BUSINESS**

Mr. Eggers mentioned the Lamppost project has been published in the DEQ calendar for approval of the grant.

Mr. Douglas welcomed Mr. McDonald as a member of the Brownfield Authority.

Mr. Capen inquired if the revolving fund could be used for road maintenance on a brownfield site. Mr. Greve hadn't looked into it, however he felt the only way it could be used for maintenance purposes would be upon dissolving the Authority. Legislation is moving through Lansing that could greatly change the rules of the game relating to these projects and it would greatly enhance what could be done with tax increments. Mr. Capen interjected it would not only apply to contaminated properties, but to properties that are functionally obsolete or blighted. It is being considered right now for about 79 urban core cities, but Auburn Hills is not one of them.

In looking at the Financial Report, section of Statement of Revenues, Mr. Capen asked if the revolving fund should have its own balance and be kept separate from the other funds. Mr. Greve explained the \$2,000,000 grant from the DEQ should be a loan and the \$1,000,000 loan should be a grant. This would be revenue for the Authority. The revenue would then be used to reimburse the developer from the grant proceeds. Mr. Capen said it was intended to be given to the City as opposed to the developer for the

revolving fund, then loaned to the developer and repaid to the City. Mr. Greve agreed with Mr. Capen's assessment. Mr. Capen asked if it would be appropriate to establish a separate fund for each of the projects so the tax increments and expenditures could be followed. Mr. Greve said on the books it would be kept separately, however on the financial statement they would be combined. Mr. Greve replied to Mr. Capen, the single business tax credit is being discussed in Lansing currently. Once the brownfield plan has been approved the developer can then apply for single business tax credit.

In response to a question Mr. Greve said Lamppost was currently negotiating with MSX for right-of-way on Rex Boulevard.

**11. ADJOURNMENT**

Mr. Douglas moved to adjourn the meeting.

Supported by Ms. Vettel.

**VOTE:**

McDonald, Vettel

No:

Yes:

Capen, Douglas,

None

**Motion**

**carried (4-0)**

The meeting was adjourned at 7:31p.m.

Respectfully submitted,  
Helen R. Venos  
City Clerk

Kathleen Novak  
Records Retention Clerk