

Local Development Finance Authority

Regular Meeting Minutes

Monday, January 12, 2015
4:00 p.m., Council Chambers
South Haven City Hall



City of South Haven

1. Call to Order by Valentine at 4:00 p.m.

2. Roll Call

Present: Erdmann, Gawreliuk, Henry, Herrera, Kerber, Klavins, Schaffer, Valentine
Absent: Bolt

3. Approval of Agenda

Motion by Henry, second by Schaffer to approve the January 12, 2015 Regular Meeting Agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – December 8, 2014 Regular Meeting

Motion by Klavins, second by Schaffer to approve the December 8, 2014 Regular Meeting Minutes as written.

All in favor. Motion carried.

5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

None at this time.

6. Financial Report

VandenBosch presented the Financial Report.

7. Economic Development Report

Jack McCloughan, Economic Development Director reported on current economic development activities.

8. 2015 Meeting Schedule

VandenBosch noted that setting a meeting schedule is a requirement of the Open Meetings Act for any city body. The dates are in the agenda packet; the boards will meet the second Monday of each month. VandenBosch checked for conflicts with holidays and found none.

Motion by Henry, second by Herrera to approve the meeting dates as presented:

January 12
February 9
March 9
April 13
May 11
June 8
July 13
August 10
September 14
October 12
November 9
December 14

All in favor. Motion carried.

9. 220 Aylworth Purchase Offer

VandenBosch presented the information about the offer for the property from the Fox Group, as discussed by the subcommittee members which is included as a hand out.

Following discussion regarding the rebate for the electric transformer, VandenBosch pointed out that current utility policy is what is noted in the response regarding the rebate for the electric transformer, meter and line extension fees.

Henry asked if the required work was in the \$600,000 range to which VandenBosch responded that yes, and pointed out that two of those estimates were very rough estimates. Valentine said asking price was \$750,000, which VandenBosch confirmed.

Henry commented that based on the work that the potential buyers asked the city to complete, if the city were to sell the property for \$675,000 and do all these upgrades and repairs, the city would not come out with much. VandenBosch said job creation would be around fifty (50) jobs and noted that the Michigan Economic Development Corporation (MEDC) will try to get several thousand in assistance for the jobs creation. The potential buyers have started to work with the MEDC, according to VandenBosch, but have not qualified yet. Klavins asked what the potential buyer could do with money from the MEDC to which VandenBosch responded that the money could be used for infrastructure and equipment; the MEDC would make that determination.

Henry asked if the MEDC tracks jobs promised/job created to which VandenBosch responded yes.

Erdmann asked if asbestos abatement would be something the Brownfield Authority would get involved in. VandenBosch informed that there is a Brownfield Plan which was put in place when the value of the property was pretty high, but the city has never collected very much money. "Potentially, we could close that Brownfield Plan and do a new one," VandenBosch stated.

Herrera asked if the price gets low enough would there not be many people interested. Klavins pointed out that if the city were to actually relist it at a lower price to get the plethora in there, we could receive a full no-contingency cash offer. With this offer, the city is negotiating in good faith and the buyer either takes it or not. Klavins noted that there are a lot of improvements necessary; the buyers are looking for cash and the city is coming off our asking price by ten percent. "That's very standard in the industry," Klavins pointed out.

Kerber agreed that was the sub-committee's thought process. The committee did not want to benchmark the negotiations, but coming back with ten (10) percent of asking is standard for the industry.

Motion by Henry to recommend authorizing Paul VandenBosch to negotiate the sale of this property at the price of \$675,000, as is. Second by Erdmann.

All in favor. Motion carried.

Henry asked if we have learned anything more about the potential purchaser. VandenBosch said he had not yet provided the MEDC what they asked for but that was over the Christmas break. MEDC contacted him again and he said he would get on that. VandenBosch was hoping the MEDC would do the screening, as it were, of the financial capability because they ask the potential buyer questions that are related to the business financing, job creation, etc.

Kerber requested clarification that the prior broker has released us from the agreement. VandenBosch responded that he did get an email; it was an amicable parting and any broker fee goes to Dane Davis.

Kerber said the last valuation we have on this property was pre-recession; we may want to have a current appraisal done. VandenBosch said he would like to use a different appraiser and wondered if anyone has suggestions to which Kerber responded that she will get some names to him.

Henry asked what kind of fee appraisers charge to which Kerber responded around \$2,500.

Klavins said if we get an appraisal now appraisals do not have a very long shelf life. We have a really good price on it; if the appraisal came back at \$900,000 and we have it at \$750,000, is it worth it to have it appraised again? If we get a new offer we would not want to use another appraisal. Klavins pointed out that one appraiser noted that there is not much in South Haven for comparables so an appraiser will have to comp it to Holland and St. Joseph.

Erdmann says if this deal falls through we might want to think about an appraisal.

Henry said, "Let's play this out and see what happens, if it doesn't work out we can go back and take another look at it." Klavins said you might be able to talk to Dane and get a read on the buyer. Henry noted that all have experienced the fundamentals of how important it is to understand the credibility of the potential buyer.

10. General Comments

There were none.

11. Adjourn

Motion by Henry, second by Erdmann to adjourn at 4:26 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary