

Brownfield Redevelopment Authority

Regular Meeting Minutes

Monday, July 14, 2014
4:00 p.m., Council Chambers



City of South Haven

1. Call to Order by Valentine at 4:48 p. m.

2. Roll Call

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

3. Approval of Agenda

Motion by Klavins, second by Varney to approve the agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – November 11, 2013

Motion by Erdmann, second by Gawreliuk to approve the November 11, 2013 regular meeting minutes.

All in favor. Motion carried.

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

There were none.

6. Financial Report

VandenBosch reviewed the financial report for the Brownfield Authority.

Motion by Erdman, second by Klavins to approve the financial report as presented.

All in favor. Motion carried.

7. Demolition Project Financing

VandenBosch explained that the city has not only one difficult project but two, the Overton Building and the Factory Condominium Health Club. Total estimated cost for the two demolitions is about \$895,000.

8. Factory Condominium Health Club Demolition Proposal

VandenBosch explained that the Department of Environmental Quality (DEQ) has funding available to clean up the worst part of the contamination at the Factory Condos site. If the city will demolish the health club, the DEQ will do the remediation and cleanup. The cost estimate VandenBosch provided is only on demolition; these are preliminary numbers put together to provide a general estimate of \$360,000 to take down the health club portion only. There are still many items that have to be worked out with the property owners, determining what is to be left standing and what is coming down. This is an early estimate. This request is to help understand if we can do these two (2) large projects with the funding we have available.

VandenBosch said this amount does not include the money for a large remediation. VandenBosch noted that there is money available in the revolving fund. He does not have those figures yet. The Factory Condos brownfield plan has money which requires approval from the Factory Condominium Association. VandenBosch stated that he brought this up with the Association; although he did not ask them for a decision, he did not hear any loud objections. His hope is that the Factory Condo association and the DEQ will cooperate. This leaves us a shortfall which could be covered by the LDFA. VandenBosch noted that these estimates are very preliminary; he is not asking for a budget in that amount, but wanted to show that if there is a shortfall, the LDFA could cover it.

VandenBosch noted that the city has requested proposals for preparing bid specifications; there are two separate proposals. "This is the first step toward finding out what the full demolition will cost," VandenBosch explained, "Tonight you are not asked to decide on spending the full amount of demolition, only to put together bid specifications."

Varney wondered, if the primary purpose (of the LDFA) is to promote business in our area, how these projects align with that policy. VandenBosch said that there was a policy of the board established around 2007 that stated that brownfield plans would be accepted for non-residential projects. After the National Motors experience the city did not want to get into residential projects using brownfield funds and this request may require a change in that policy. This would benefit Factory Condominiums, which is clearly residential. The Overton site is suited more for residential than industrial, VandenBosch noted. This request includes considering a change to that policy.

Valentine pointed out that with regard to Factory Condominiums to use the policy that came in after the fact there, mainly because of the bad experience with it and the National Motors site, would be unfair. VandenBosch agreed that would be a wrong interpretation of the policy. Valentine stated that one could argue that development should not have been permitted, but it is done and there is already a brownfield. "So if you use the money out of that plan that seems legitimate to me," Valentine noted, "You all know I have a vested interest (in the Factory Condos)."

VandenBosch noted that Act 381 allows us to do the demolition and recover the funding through a brownfield plan. State law does not require us to stay strictly in an industrial area. State law does allow for demolition, recovering money from the brownfield and using the recovered funds for residential development. Klavins noted it is a win-win when the DEQ is going to come in and do the demolition. VandenBosch explained the process the DEQ will be using to remediate the contaminated area, which includes drilling and heat, not excavating. Erdmann said, "It won't be bringing value to the property." VandenBosch

explained that the remediation process will keep the contamination from moving toward Lake Michigan.

Kerber asked if this demolition and remediation is done, does the health club remain in the condo. VandenBosch said there will have to be an amendment to the master deed and to the planned unit development to get the city's approval to make this change. Erdmann asked if there is potential for more condos on that site to which VandenBosch responded, "Potentially, but that is not our decision." Varney asked if the city would have any ownership of the Health Club to which VandenBosch explained that the way condos work, the ownership is of the airspace inside a room. When the health club building is taken down, by amending the condo documents, the ownership of those units can be eliminated. The condominium owns the underlying land.

Valentine pointed out a letter from the condo association to the city is included in the packet, and noted that as of now the association does not have any intention of doing anything but they are open to other opportunities.

VandenBosch said the action item is to consider a proposal from Abonmarche for \$6,200 for preparation of bid documents and the work related to that; this would get us to a point of having hard numbers for demolition and at that time we could say, "Yes, we have the budget for it," or "No, we're not going to do it." In order to give you good cost estimates, this is the work we need to have done. Valentine noted that the proposal from Abonmarche is included in the packet. Varney asked if we will go out for bids for the demolition to which VandenBosch replied, that yes, it would be bid out.

Motion by Klavins, second by Gawreliuk to approve expenditure of \$6,200.00 to have Abonmarche prepare the bid documents for the Factory Condominiums.

Valentine abstained.
All others in favor.
Motion carried.

9. Overton Building Demolition Proposal

VandenBosch noted that the Overton project is very complex, there are liens on the property including federal tax liens, utility liens and construction liens. At this time, we are looking for a motion to approve a proposal from Abonmarche to prepare bid documents for demolition. "This is a complicated project, but in order to get started we need help in putting bid specs together."

Motion by Gawreliuk, second by Klavins to approve the \$9,100 for bid documents to be prepared by Abonmarche for the demolition of the Overton building.

Varney wondered, "What if we determine that this is not feasible with the money we have." VandenBosch said we would approach the city for additional funding. We have been pursuing grant funding. VandenBosch contacted Upton's office on Friday but have not found anything yet. Varney explained that she does not want to see the board left as we were with previous projects. Varney advised, "Proceed carefully so we don't get in over our heads, and don't spend more than we should, be judicious with the money." VandenBosch commented that none of us wants to be in this position; this is a response to a community problem for which this board seems to be the most capable board to solve the problem.

Varney wondered, since the Overton building has been condemned, does the city have the right to demolish the building? "Purchasing the note is outside of that, isn't it?" VandenBosch responded yes, the City will get a court order to demolish through the dangerous buildings process. Kerber commented that we would be looking at a demolition either way. VandenBosch noted that whether we purchase the note or we do the demo under a special assessment, we are relying on the City Attorney to follow proper procedure. There is a federal tax lien on Engel which Kerber said would be behind the bank loan. VandenBosch believes some of the federal and construction liens were placed incorrectly. The City has a utility lien; the county has liens on prop taxes.

Varney commented that we do understand that the building is hazardous. VandenBosch apologized for not having the fence up yet noting that the contractor is very busy and just has not been able to get there.

Kerber wondered if the funds come from the Brownfield Revolving Funds does that hold up funding for other projects. VandenBosch said we do not have other brownfield projects at the moment, we stopped working on the DuWel site some time ago; these two projects under discussion are high priority. Board members discussed how tax captured could be used. VandenBosch said Act 381 puts certain restrictions on school operating funds, but it can be captured. We will need a development on the site to recover demolition costs through brownfield tax capture. Kerber noted that we don't know the potential value, and the ability to recover those funds is unknown. VandenBosch said if we do a special assessment, that assessment could limit any future development.

Valentine called the question.

All in favor. Motion carried.

10. General Comments

Varney: How are we doing with the Aylworth properties?

VandenBosch responded that there are two interested parties. There is interest in the site.

Valentine: noticed cars at the Aylworth site the other day.

11. Adjourn

Motion by Klavins, second by Erdmann to adjourn at 5:15 p. m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary