

Local Development Finance Authority

Regular Meeting Agenda

Monday, August 8, 2016
4:00 p.m., Council Chambers
South Haven City Hall



1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Approval of Minutes** – May 16, 2016 Regular Meeting minutes and June 27, 2016 Special Meeting minutes
5. **Interested Citizens in the Audience Will be Heard on Items Not on the Agenda**
6. **Financial Report**
7. **Update from Southwest Michigan First**
8. **Albemarle Proclamation**
9. **Review of fall capital projects and discussion of funding sources**
10. **General Comments**
11. **Adjourn**

RESPECTFULLY SUBMITTED,
Kate Hosier,
Secretary, LDFA

South Haven City Hall is barrier free and the City of South Haven will provide the necessary reasonable auxiliary aids and services for persons with disabilities, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting to individuals with disabilities at the meeting upon seven (7) days notice to the South Haven City Clerk.

Local Development Finance Authority

Regular Meeting Minutes

Monday, May 16, 2016
4:00 p.m., Council Chambers
South Haven City Hall



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

2. Roll Call

Present: Eugen Gawreliuk, Mike Henry, Andy Klavins, Christine Valentine, Art Bolt
Absent: Tom Erdmann, Robert Herrera, Stephanie Timmer

Also present: Brian Dissette, City Manager

3. Approval of Agenda

Motion by Valentine, second by Klavins to approve the May 16, 2016 Regular Meeting Agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – April 11, 2016

Motion by Klavins, second by Henry to approve the April 11, 2016 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

Hosier reviewed the financial report.

Motion by Henry, second by Klavins to accept the financial report as presented.

All in favor. Motion carried.

7. Economic Development Report

Hosier explained that the Economic Development Director was unable to attend for personal reasons.

8. 220 Aylworth – Bohn Building Offers

Dissette reviewed marketing efforts of 220 Aylworth by city staff, noting that the LDFA will be receiving two offers today. Over the last four to five months, city staff has been working with Abonmarche to do a survey of the existing property. This work will be done whether held by the city or a private party. This work includes but is not limited to improvements to the HVAC system; surface water issues; lead abatement and paint. Dissette made it clear that whether the board approves a buy-sell agreement or asks for more time, the city will need to deal with expenses for the property. Dissette noted that, for consideration, we have members of the public to represent potential ventures at the site.

Wendell Payne, CFO, Coach Marine Group LLC, headquartered in Louisiana. Explained Coach produces pontoon boats in Iowa, have experienced significant growth and are looking at another facility. Noted they like what they see and want to present an offer, explaining these would be established brands we have. Would set this facility up and do the improvements; should be able to produce boats in four to five months. Job wise, in the first year Payne stated Coach would have sixty full time jobs ranging from 13 dollars to 25 dollars per hour. Payne noted that once built out, speculatively, Coach might move the Iowa facility here as well. Noted the Iowa facility currently has 97 jobs. Payne commented, “We like the area; we like the facility; we appreciate the help we’ve received here. We want to make this go forward.”

The board reviewed drawings of how the production would be done while Payne explained that in less than two years the facility would be producing fifteen boats per day with employment status of 120 to 140 individuals.

Bolt asked whether Elkhart is their main market to which Payne responded that Elkhart is their main vendor area. “We are spending 500 to 600 dollars per item in shipping fees; that drives us here, closer to Elkhart, which is the capital of what we do, the RVs and marine, but we don’t want to locate there (in Elkhart) and compete with their RV industry for workers.”

Klavins asked, “On the face value of it, your offer states that you look at investing four hundred fifty thousand dollars in real or personal property improvements. How do you do that? I thought you’d have to have millions to create this facility.” Payne responded that they don’t anticipate spending millions, maybe six hundred fifty thousand dollars would be more realistic, but they are trying to be conservative.

Klavins pointed out that our local Woodhams Ford dealership is doing more than a million dollars in improvements and noted that he finds it hard to believe this can be done for the numbers provided. Payne responded that their facility is not a retail facility noting that all their equipment; benders, rollers, are outsourced, so the furniture comes from Elkhart; that will come this way. “We are an assembly plant; the main fabrication is on the chassis using welding and tube rollers. Our main thing is to have enough electricity to the building to run welders.

Klavins asked about expansion plans, which he thought was planned in three phases to which Payne responded that it is actually two phases; if they start producing two brands for

the 2017 model year, that growth alone should be less than a year. Payne expressed their main issue as getting up and running, noting, "We have the orders and sales, we just have to produce them. We're going to hit the ground running."

Henry sees the purchase price of 10 thousand dollars as incredibly low, noting that he does not know if the contract says there is a promise or any tangible leverage to invest the four hundred fifty thousand. Payne responded that once the building is acquired, that investment will be required, noting there is nothing in there to produce boats, adding, "If we're going to produce we have to make the investment."

Bolt stated that the LDFA has been selling vacant land for much less and will end up putting money into this property just to walk away from it. "You've looked at the costs for the utility hookups and upgrades. Just that with your ten thousand dollar purchase price means the city is going to have to write a check and walk out of closing. If you buy the property for ten thousand dollars and walk away or sell to someone else for twenty-thousand dollars there's no claw back provision, which leaves us in a shaky place to be."

Payne said "You can put language in there; I'm willing to negotiate. If there wasn't a building there I wouldn't be here today. That's all part of it, figured in the price; at that point we're vested in the community, that's why we're here."

Bolt asked how long the business has been in Iowa to which Payne responded 25 years.

Henry how long the brand has been in existence to which Payne responded that the Coach brand is fairly new; Xcursion was previously Payne's business but had a dispute with Forest River so just got Xcursion back in a court settlement. Payne added, "It's an established product and one of the top brands in the country today."

Bolt asked if their main market is in the south to which Payne responded, "No, Minnesota is our biggest market; the south is the smallest market." Payne stated the largest markets are in the north.

Dissette noted there is a second proposal for the board's consideration.

Sean Russell and Renee Russell, Lukela Group LLC. Sean Russell noted that he and his wife were born and raised in South Haven and here to present their plan as it stands right now for the Aylworth property. Our method of getting to the final product for this property is different than Coach Marine; that was very deliberate. The Russell's have a three phase plan that would carry through to manufacturing and jobs. Russell stated this is important to them but realistic. Phase 1, the most important and time critical, would be to address the building deficits as it is deteriorating quickly. The Russells feel the office building is a loss at this point; noting that it is significantly worse than when they saw it in the fall. Phase 1 is to get that building back to a usable condition, which the Russells feel will cost over four hundred thousand dollars, to seal up the building, address HVAC, exit signs, doors, brownfield issues. Russell stated they needed a plan to carry us to a point of manufacturing; they looked at the market and that's where they came up with the idea of climate controlled boat storage accessible from a seventy-mile radius around South Haven.

Phase 2, according to Russell, is marketing, direct and significant marketing, once the building is such that it can be used immediately. And Phase 3 would be further marketing of the property, perhaps in the area of "build to suit."

Gawreliuk asked how many employees Russell expects to employ and Russell responded, initially 4 to 6 to get the storage piece up and running. Looking at scaling that, perhaps offer outdoor storage, as well. The city has a lot of situations with density; cars, parking and rentals so the Russells envision a place where we could have a stow-and-go or park-and-go storage; instead of parking their boat in their driveway, the neighbors' driveway or on the street. Russell noted that they have looked at estimates up to over one hundred employees depending on what is done with "build to suit" on the property.

Klavins remarked that the Russells have hit the nail on the head with need, noting that he has clients looking for indoor storage for furniture, and wondered if that would be something they would offer. Russell responded, "Great question, but no, that's not in our plan. We could go to offering indoor climate controlled storage units, but feels we have plenty of market for boat and RV storage. It is a large property, though."

Klavins said he has people storing things in Hamilton who would like to do that here. Russell said he thinks the market is there; we want to keep the property as a potential manufacturing site, the property is there, but we certainly want to go where economics drive us.

Dissette interjected, "For your information, when the city and LDFA agreed to take ownership of this building, someone was renting it for storage and the utilities were shut off due to non-payment. That lessee had fitted fork lifts with flashlights so they could see to maneuver through the building; the city had to end that agreement just due to building code issues." Dissette continued, "There is absolutely a need. To have two competitive offers for the site, this is positive and exciting for this board and the city. We have spent some time with the Lukela group and the Coach proposal just came through in the last few days, city staff would need time to work through an agreement with Coach."

Valentine asked what level of experience the Russells have to which Russell responded, "Nothing this big, I'm a military guy, have had to figure out where and how to store the toys. It's great to have the toy, but there is a need for a place to put it off season. The need piece is storage with climate control. We've both run several businesses, but not of this size. The nice thing about this business is its more hands off when you get the right people in there." Russell noted he is not a manufacturer and that he and his wife see themselves as facilitators.

Valentine asked, "Regarding financing, are you pretty confident you can get the money to get this off the ground?" Russell responded, "Absolutely. We both have had smaller businesses, not on the level of Coach, but the financial piece would include private investors, our own equity, and commercial lenders.

Valentine asked about Brownfield funding. Bolt explained that the LDFA would still have an ongoing responsibility in the area of the lagoon in the back; we have to own up to that if there turns up to be anything else; it is a brownfield district already." Bolt noted that the money is there to fund that remediation. Bolt explained that he does not expect to find

anything else; he believes the only thing in the offing is that pond or lagoon, which may or may not be a big issue.

Dissette added that Envirologic worked with the city at the time of the LDFA taking ownership and that the city connected the Russells with Envirologic, to have an opportunity to hear what has already been done. Dissette highlighted the ongoing maintenance and noted that an updated brownfield plan should be worked up for the board's consideration, noting it may include fencing; maybe assisting with teardown of the old office. Dissette also stated that the potential buyers would likely work with Envirologic because Peterson has good knowledge of that site, but stressed that would be their decision.

Bolt called for a motion.

Henry commented that Lukela is obviously putting some money on the table and there is risk with that. "I see just a token going forward with the Coach group."

Klavins added that when you break down the numbers, if we like Coach and Coach continued with their proposal, the city would have to come to the table with a check. The city has already written a very big check to acquire the property, contract engineers and do clean up. Klavins calculated that with the Coach Pontoon offer the LDFA would net eight thousand four hundred fifty and still have money going out.

Gawreliuk noted that with Coach it is about five hundred dollars per acre and a lot more expense.

Motion by Klavins to accept the Lukela Group's offer and continue on with purchase agreement with Lukela. Second by Henry.

All in favor. Motion carried.

Henry commented that it is great to have an agreement and see some progress. "It will be wonderful to see that place squared away."

Klavins remarked that Lukela has done their homework to which Bolt agreed.

Henry noted that he understands Coach wanting to be near Elkhart; that made sense.

Valentine noted that a manufacturing facility made sense, also, but the ten thousand dollars was too low.

Bolt added that there were no guarantees.

Valentine pointed out that the strength of their offer was they actually have a manufacturing facility.

Bolt added, "We don't own it for very much longer."

Hosier asked for clarification of the motion. After a brief discussion the board agreed that they want the motion to note that the board is ready for the Lukela offer to be signed.

Amendment to the motion by Henry to add "have the chair and the secretary sign the Offer to Purchase documents". Second by Valentine.

All in favor. Motion carried.

9. General Comments

There were none.

10. Adjourn

Motion by Henry, second by Klavins to adjourn at 4:37 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary

Local Development Finance Authority

Special Meeting Minutes

Monday, June 27, 2016
4:00 p.m., Council Chambers
South Haven City Hall



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

2. Roll Call

Present: Barbara Craig (4:02 p.m.) LMC Rep., Tom Erdmann, Tom Fleming (4:08 p.m.), Eugen Gawreliuk, Andy Klavins, Chris Valentine, Art Bolt

Absent: Mike Henry, Robert Herrera, Stephanie Timmer

Also present: Laura Bos, South Haven Public School Rep.; Tony Marsala, Fire Marshall; Ross Rogien, Building Official

3. Approval of Agenda

Motion by Valentine, second by Klavins to approve the June 27, 2016 Special Meeting Agenda as presented.

All in favor. Motion carried.

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

None at this time.

5. Facility Lease Agreement 220 Aylworth Avenue "Bohn Building"

Kate Hosier, LDFA Secretary, noted that as explained in her staff report, the LDFA has already worked out a purchase agreement with the Lukela Group, LLC for the property at 220 Aylworth. However there is a due diligence period of 150 days plus 30 days for closing, and the purchasers of the building were approached by SPX to do some light assembly work in the Bohn building. This would be for a period of one year. They would be taking reinforced plastic panels and assembling them with power drills. There is no cutting, no grinding, nothing of that sort, and then storing these assembled panels to be ready for the spring outage of 2017 at Palisades Nuclear Plant. They are looking for a place with a roof overhead to do this work; they have done it under a temporary shelter out in the parking lot at Palisades in the past. They are looking for a temporary lease for the Bohn building, for one year, at \$8,000 a month with a security deposit.

Hosier explained that since the LDFA still owns this building, but is potentially going to be selling the property in the middle of this lease, we have been working out the terms of the lease. We have a sample lease in the packet; the terms of that are stated. That it will be for one year only from July 1, 2016 to July 1, 2017. Light assembly only for \$8,000 a month.

Hosier noted that there has been discussion about building occupancy; the building inspector is here. He has said that the doors must be functioning; they need temporary lighting, exit signage, and an ADA restroom. Hosier believes they can start out with an ADA compliant portable restroom, but eventually we have to get the bathroom issue sorted out. Those are the things necessary for temporary occupancy.

Secondly, fire suppression; according to our fire marshall if they were doing actual storage they would need suppression, but because they will be doing light assembly, with no torches or grinding, they will be able to provide 20 to 30 pound Class A, B or C fire bottles.

After a call for questions, Klavins asked, "So this agreement will be pro-rated, with the city getting the income until closing and then the purchaser?" to which Hosier responded that she believes that is how it is going to be worked out. Bolt clarified, "We collect the rent as long as we are the owner; once the owner takes possession, the new owner collects."

Valentine asked how the improvements will be covered to which Bolt responded that the items required are fairly inexpensive so the first month's rent will cover those expenses. After that it is a triple-net lease, anything they want to do in the way of further improvements would be the occupant's responsibility. There would be no taxes, of course, Bolt added, and the lease starts July 1st.

Erdmann stated he didn't hear anything about insurance and Hosier explained that the insurance is two-fold. "The city kept insurance on the building because we own it, but the tenants would be required to insure their people, their products and any worker's comp."

Gawreliuk asked about charging power tools which Hosier noted has been discussed between the potential tenants and the Lukela Group. Hosier believes the tenants are planning to have a charging station, which would be able to use the existing electric service that is already there. Bolt affirmed that it sounded to him that they would be using rechargeable drills like a contractor would have.

The Fire Marshall and Building Official addressed questions regarding the fire safety requirements and inspection of temporarily occupancy to determine whether the tenants are only doing what they are approved to do. Craig asked the building inspector whether it is his intention to visit once the temporary tenants are up and running, to which Rogien responded yes.

Bolt commented that this is a win-win for the LDFA; we get some jobs and something new happening.

Motion by Klavins to approve the facility lease agreement for 220 Aylworth Avenue, the Bohn building, and pre-authorize expenses to make the building suitable for occupancy by the tenant as discussed. Second by Valentine.

All in favor. Motion carried.

6. Member Comments

There were no member comments.

7. Adjourn

Motion by Klavins, second by Gawreliuk to adjourn at 4:16 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary

City of South Haven
 Local Development Finance Authority
 For the period ended July 31, 2016

	LDFA #1	LDFA #2	LDFA #3
Revenues			
Property Tax Captures	-	-	-
Interest Income	-	-	-
Land Sales	-	-	-
Other Revenue	8,000	-	-
Other Transfers In	-	-	-
Total Revenue	8,000	-	-
Expenditures			
Economic Liaison	868	954	1,071
Administrative Costs	-	-	-
Professional Fees	-	-	-
Contractual Services	-	-	-
Capital Projects	-	-	-
General Fund Administration	-	2,500	2,917
Transfer to Building Authority Debt Service	-	1,082	-
MEDC Loan Payments	-	-	-
Transfer to St. Joe Project Debt Service	10,000	-	-
Other Transfers Out	-	-	-
Total Expenditures	10,868	4,536	3,987
Year-to-Date Fund Gain/(Loss)	(2,868)	(4,536)	(3,987)
Cash and Investments			
Cash	76,534	17,885	48,786
Certificates of Deposit	263,282	-	-
Other Financial Investments	408,280	129,192	512,195
Total	748,096	147,077	560,981
Land Assets - 345 Kalamazoo St	5.19 acres	\$ 46,710	Mkt Value per assessor
Land Assets - 1391 Kalamazoo St	1.54 acres	\$ 36,729	Mkt Value per assessor
220 Aylworth Ave	13.22 acres	\$ 118,980	Mkt Value per assessor
1280 Kalamazoo St.	3.48 acres	\$ 31,320	Mkt Value per assessor
LDFA Debt Obligations			
St. Joe Projects Bonds - Final Maturity - May 2027	\$120,000/Year		
DPW Relocation Bonds - Final Maturity - Nov. 2021		\$13,990 Average/Year	

PROCLAMATION

WHEREAS, Albemarle Corporation, a leading global developer and manufacturer of highly-engineered specialty chemicals, employs about 160 employees at its South Haven facility; and

WHEREAS, in January of 2015 plans to sell the South Haven plant were announced; and

WHEREAS, despite the announcement of a pending sale, Albemarle's employees still kept productivity levels high; and

WHEREAS, although the Fine Chemical Division is a small portion of Albemarle's business portfolio, it remains profitable, in part due to more stringent federal regulations on imported generic drugs giving American pharmaceutical manufacturers a competitive edge; and

WHEREAS, sixteen months later, Albemarle Corporation has decided to retain ownership of the facility on Kalamazoo Street; and

WHEREAS, Albemarle Corporation and Albemarle employees have consistently engaged, communicated, planned and supported the South Haven Police Department and South Haven Area Emergency Services and South Haven Schools through the Albemarle Foundation; and Albemarle employees have volunteered and worked with Habitat for Humanity and the community build at the Elkenberg Park renovation; and

WHEREAS, Albemarle has been a major contributor toward Project Lead the Way, a science and engineering curriculum at Baseline Middle School)and the Al-Van Humane Society.

NOW, THEREFORE, BE IT RESOLVED, that the Local Development Finance Authority of the City of South Haven does hereby recognize and honor Albemarle for their continued commitment to improving community health, education and safety and their active support of South Haven area families.

Art Bolt, Chairman
Local Development Finance Authority