

# Local Development Finance Authority

## Regular Meeting Minutes

Monday, December 8, 2014  
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, Kerber, Klavins, Rainey, Valentine  
Absent: Bolt, Herrera, Schaffer

### 3. Approval of Agenda

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

All in favor. Motion carried.

### 4. Approval of Minutes – July 14, 2014 Regular Meeting

Motion by Henry, second by Klavins to approve the July 14, 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 reviewed the financial report.

Motion by Erdmann, second by Klavins to accept the financial report.

All carried.

### 7. Economic Development Report

McCloughan presented a report on Economic Development.

### 8. Water Tower Painting Project

VandenBosch reviewed the backstory on the water tower. After an inspection, preventative maintenance/touch-up was recommended. The request today is for \$10,225 to Dixon Engineering, who will put the bid specs together and monitor the work as it goes on.

Valentine clarified the total cost.

Motion by Henry, second by Erdmann to contract with Dixon Engineering to put the bid specs together and monitor the work.

All in favor. Motion carried.

## **9. 220 Aylworth Agency Agreement**

VandenBosch gave an overview regarding the previous contract with Bradley, noting that this agreement with NAI Wisinski is very similar but does have an additional fee. VandenBosch explained that the reason for the change is the agent, Dane Davis, moved to the latter agency.

Dane Davis, NAI Wisinski of West Michigan. Stated the firm he is now affiliated with is out of Grand Rapids. Advantages include more connectivity with lead referrals and collaboration with agencies. Davis pointed out that the combined experience which forms NAI North America International allows us to reach out to many different markets and to market to different areas. "We feel it's better for our team and for our clients."

Valentine asked how this affects the current offer to which Davis responded this change of firm "won't affect the current offer at all." Part of Davis' withdrawal agreement with Bradley was to take his clients with him. VandenBosch noted he would like something in writing since the offer was with the previous agency.

Rainey noted the difference between residential and commercial listing. Davis said it was very good of the previous agency to let them take their listings with them, noting, "We have substantial time and effort into this, but the minimum commission would be \$5,000."

Valentine asked if partial lot sales would also be \$5,000. Klavins explained the commission is 7.5% with a minimum of \$5,000. Davis noted it will be tremendous work to bring one closing.

Rainey asked about the advantage with the new agency to which Davis responded it is international so we have the local, regional and global coverage.

VandenBosch noted that today he would like approval of the contract.

Motion by Henry to approve the agency agreement with NAI Wisinski of West Michigan.

Compton noted there is a co-broker agreement with Berkshire Hathaway to allow her broker and Davis' broker to share the commission.

Klavins asked how many people she has shown it to. Compton stated she has contacted about sixty (60) people; has been in contact with the current potential buyer about a dozen times. Davis comes over from Kalamazoo to meet with potential buyers, contractors, etc.

whenever Compton cannot be there. Compton noted she has physically at least fifteen (15) other times been in that building; meeting with contractors to get an idea of what needs to be done to bring the building up to speed.

Klavins noted that Compton and he work together but they do not talk about this type of thing in the office for ethical reasons. Valentine suggested that Klavins abstain from the vote, to which Klavins agreed.

Valentine noted there is a motion on the table.

Second by Rainey.

Klavins abstained.

All others in favor. Motion carried.

#### **10. 220 Aylworth Purchase Offer**

VandenBosch wants to know if the group feels this offer is a move in the right direction, noting that he would like to put together a sub-committee to look at cost estimates and put together a recommendation to the full board for a counter offer or to accept the offer as it sees fit. That is the direction VandenBosch would like to go.

Fox group has offered \$275,000, stating they will preserve forty jobs locally and create an additional fifty (50) jobs.

Likely to be a Brownfield Authority request to get asbestos removal funded. They want to do future incentive requirements, probably coming to the MEDC, potentially the United States Department of Agriculture (USDA) but probably the Brownfield and LDFA may be asked to support this project with economic development incentives. VandenBosch noted that it is important that we try to clarify what those incentives are before we approve any final purchase agreement.

VandenBosch noted that the things the city has been asked to do: restore electric service, transformers and meter; resurface part of the parking lot and removal of asphalt from another part and make fire suppression operable. Details of the requests are in the handout you have. Staff is working to put together an estimate of what it will cost. When we have that number the subcommittee could meet, look at the hard numbers and see what the agreement would be costing us. VandenBosch noted that we could also start working with the MEDC and find out how much the state would be willing to pay to help with items we are being asked to undertake.

Offer is fairly low and VandenBosch expects the cost to be \$200,000 to \$500,000. If there is job creation the MEDC can make money available at the rate of \$10,000 per job. If it is fifty (50) jobs, we could have a million state-funded to do infrastructure type items. Because of the complication of responding to this offer, VandenBosch is looking for a sub-committee to look at this, possibly meet with the prospective buyer and work through the details.

Henry asked what kind of business this is. VandenBosch noted that it is West Michigan Flocking, an auto parts company that does injection molding and blocking (adding a fabric coating to plastic or fabric interior automotive parts).

In response to a query by Henry about West Michigan Flocking's reputation, McCloughan noted they have been in the city for around fifteen (15) years, noting that it is a niche market. McCloughan said the owner was in Fennville, and came here to grow his business, and commutes from Grand Rapids to South Haven daily; "I've never seen the weather stop him."

Erdmann asked if he will use the whole building to which VandenBosch responded that the prospective buyer is asking for the entire property.

Klavins asked about the survey requirement. VandenBosch responded that the city has a survey so could get that recertified.

Following a question by Kerber regarding control of the injection molding process, McCloughan noted that the firm does occasional injection molding projects but not as much as formerly.

Cindi Compton, Berkshire-Hathaway. Interjected that West Michigan Flocking is operating out of the old Clarion building but needs to move from that location. McCloughan added that the potential buyer has had conversation with someone who wants him to build a new building and be their tenant but "We would like to see him at this location."

Klavins questioned whether any existing special assessments exist on the subject property to which VandenBosch responded, "Not on the Bohn Building."

Henry commented that the potential buyer's list of requirements is quite substantial. VandenBosch responded that it is hard to say what the cost will be to fulfill the requirements until an estimate is obtained, noting that at least some of the items are not huge dollar amounts. For example, VandenBosch has learned that restoring the gas service would be less than \$1,000. Removal of old electric poles is not going to be a lot. Until we really know the cost it is hard to respond to the offer.

Gawreliuk, asked about infrastructure to which VandenBosch responded that is the type of cost the Michigan Economic Development Corporation (MEDC) will potentially cover. VandenBosch needs the estimates before he takes a package to the MEDC, noting that the city/LDFA has done this type of arrangement for a number of companies, VandenBosch thinks this will be a successful project as long as the buyer will agree to the job creation.

Klavins asked if the potential buyer will be willing to agree to extend the length of time to receive a counter-offer.

Davis said the potential buyer has hired an attorney to help him with approaching the state. Davis' agency has also asked the potential buyer, Mr. Fox, for information regarding his banking relationship. Fox indicated that the bank is on board with what he is trying to accomplish, according to Davis. VandenBosch's recommendation to have a sub-committee is good.

Regarding a comment by Valentine about the length of time needed to respond to the offer, Davis thinks the buyer realizes that it will take time. Davis noted that Fox was getting pretty good pricing from his contractor to work during the winter.

Henry commented that having a steering committee makes sense to him; there is a lot on the table with very little specificity. "We want to make sure we understand the proposal."

VandenBosch asked for volunteers for the sub-committee. Kerber and Henry volunteered. Valentine asked about Bolt's potential attendance to which VandenBosch responded that he is either gone for the winter or leaving soon. Erdmann volunteered. VandenBosch asked if there was anyone else. Valentine volunteered. Davis, NAI Wisinski, said he would be happy to meet with the sub-committee at any time. VandenBosch noted that the sub-committee can also utilize conference calling.

Motion by Rainey to set up a subcommittee, second by Klavins to further evaluate the cost. All in favor. Motion carried.

Henry asked about time frame. VandenBosch said we would be doing good to have the recommendation to the full board in thirty (30) days. Davis noted that he will reach out to Mr. Fox and make sure he is okay with the time line.

After a question from Erdmann, VandenBosch enumerated some of the steps: working with the MEDC, meeting with the purchaser about incentives. It was noted that it is good to lay that out requirements before the purchase agreement. Henry said the sticking point is always the number of jobs. Job creation is very important. It will be helpful, according to Erdmann, to know how the buyer will arrive at that number of jobs. Valentine added, "And is he willing to commit to it?" Based on Valentine's husband's experience, the prospective buyer could lose incentives if he does not meet the target.

## **11. General Comments**

There were none.

## **12. Adjourn**

Motion by Henry, second by Rainey to adjourn at 4:40 p. m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom,  
Recording Secretary