

Local Development Finance Authority

Regular Meeting Agenda

Monday, March 10, 2014
4:00 p.m., Council Chambers
South Haven City Hall



City of South Haven

1. Call to Order

2. Roll Call

Chairman Art Bolt, Thomas Erdmann, Eugen Gawreliuk, Mike Henry, Robert Herrera, Lynn Kerber, Andy Klavins, Mike Rainey, Christine Valentine, Janice Varney.

3. Approval of Agenda

4. Approval of Minutes – November 13, 2013 Regular Meeting

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

6. Financial Report

7. 2014-2015 Budget

8. Economic Development Report

10. General Comments

11. Adjourn

RESPECTFULLY SUBMITTED,
Paul VandenBosch
Secretary, Local Development Finance Authority

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 HALL.

Local Development Finance Authority

Regular Meeting Minutes

Monday, November 11, 2013
4:00 p.m., Council Chambers
South Haven City Hall



City of South Haven

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

2. Roll Call

Present: Erdmann, Gawreliuk, Henry, Herrera, Kerber, Valentine, Varney, Bolt

Absent: Klavins, Rainey

3. Approval of Agenda

Motion by Kerber, second by Valentine to approve the agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – October 14, 2013 Regular Meeting October 21, 2013 Special Meeting

Motion by Henry, second by Erdmann to approve the October 14, 2013 Regular Meeting minutes and the October 21, 2013 Special Meeting minutes, with correction as noted:

Strike-through a wrongly attributed comment on page 3, paragraph 4 of the October 21, 2013 Special Meeting minutes.

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 Henry to accept the Financial Report.

All in favor. Motion carried.

7. Brokerage Agreement

Cindi Compton, Bradley Company. Introduced herself as born and raised here, raised her family here, got into real estate due to doing development; took the real estate class, saw the potential to contribute to South Haven's economic development, works with Dane Davis although she is also a realtor with Prudential.

Dane Davis, Bradley Company. Introduced himself as having teamed with Compton for four (4) years. Has fourteen (14) years of real estate experience; was an environmental consultant prior to that. Bradley Company is headquartered in South Bend, Indiana and has offices in Kalamazoo and Fort Wayne, Indiana. Bradley Company has a property management division as we are not just selling property but understanding the infrastructure. Davis sees integrity as their capital asset while developing property, private land assemblage and acting as a third party commercial brokerage.

Kara Schroer gave her education background including that she joined Bradley Company right out of college ten (10) years ago. Schroer deals with market research; office and healthcare leasing; keeping the process in line to closing and is learning about vacant land sales.

Compton shared her involvement with the community and the area: was on the School Board for eight years; worked to try to create affordable housing that was not subsidized and is currently on the Van Buren County Brownfield Redevelopment Board. Mentioned some of the projects she has worked on including the Clark Station; the point property next to the Clark property; both of which had brownfield issues. Compton noted that the point has sold and owners are working on two (2) retail establishments. The old Family Dollar store had brownfield issues, too, but recently learned that the underground tanks are in State of Michigan property right-of-way. Compton feels her experience gives her a sense of what is happening community-wide. Noted she is on the Board of Review for South Haven Township and has been asked to be on the Township Planning Commission. She has established a reputation as the point person for South Haven if someone is interested in coming into the community. Believes it is extremely important to have someone represent our client.

Davis gave an overview of the properties they are marketing, have marketed and have under contract.

Kara Schroer noted that their goal is to attract users who will increase the tax and employment numbers in this area. Talked about the type of manufacturers Bradley Company will try to attract and how they market properties: online marketing; signage; part of two (2) Multiple Listing Services (MLS) and a residential listing; they do e-blasts out to five hundred (500) recipients; targeted mailers and will develop targeted lists; social media such as LinkedIn and Twitter and phone follow up on those they have sent information to.

Davis talked about Strategic Partnerships to attract prospective buyers and create employment opportunities. Need to find out what the zoning is, what utilities are available. Like to have that information up front for the buyers.

Compton described her smart phone as her most important tool; explained that in there she has contact information for the road commissioner; the drain commissioner, Michigan-

Department of Transportation (M-Dot); the Zoning Administrator; the city engineer, Larry Halberstadt, and noted that she does the due diligence. Noted that these are not numbers found in the usual real estate brokers contact list, but it ties in with the business she and her husband have. Compton puts together a binder full of as much information as they can provide to the potential buyer or tenant. Compton feels the best way to handle this property is to create more than one user on the property.

Davis noted a land transaction they had recently in Indiana; there were title issues, restricted covenants, within the development we were seeking to buy land in. Davis said they had to work through the covenants and get them removed or revised. Often have to get creative and think outside the box.

Kerber noted she has heard quite a bit about the group's commercial experience and wondered whether they had industrial experience. Davis explained that he is in the middle of a sale-leaseback industrial; has done work with Mid-Link Industrial park in Kalamazoo and pointed out that in this area they have to be diversified because there are so many different types of properties.

Erdmann commented on something Davis said previously about a particular client who Davis is trying to convince to locate a hotel in the South Haven area. Erdmann expressed his opinion that the city has more than enough hotels. Davis explained that he is trying to promote an extended stay concept, which the city does not have. In the summer there are not enough rooms and in the winter, when there are nuclear outages, he feels there is a demand for extended stay because the nuclear workers sometimes find it hard to find places to stay.

Varney asked what Davis means when he says "commercial properties" plural when referring to the former Bohn property. Davis pointed out that there are two buildings, so we do not want to limit ourselves to finding one buyer. There could be two separate users and someone else might want vacant land or just office space. The Bradley Company would provide a flier showing the various ways the property could be used. Schroer noted the property would be marketed as a whole and individually.

In response to queries, Davis said a MLS is one way to market but Bradley Company is also part of two different commercial listing services.

Kerber noted the adjacent properties and wondered how you could market this in conjunction with those. Davis stated that one of the first things they do is contact adjacent property owners and that was done for this property. Davis pointed out some of the advantages of this property and the buildings that exist on the property. The buildings have high ceilings, good clearance, insulation and metal sheathing on the inside. The Bradley Company would contact the owners of adjacent properties to see if there is any synergy.

Bolt asked what else Bradley Company needs from the board.

Schroer explained the commission structure and provided documentation to Bolt. Bolt understands that if the city finds a buyer, they would only pay 50% of the commission. Davis pointed out that this is what we do every day, and we would assist VandenBosch in getting a transaction to closing.

VandenBosch noted, for clarification, that the city is looking at a potential number of transactions and the various possibilities could be six or seven transactions. The minimum would be \$5,000 or 7% on each transaction.

Davis explained the fee structure is dependent on how a transaction is negotiated; Bradley Company will push the transaction as far as we can and then come to you with what we believe we have found. Kerber feels the board should not assume that the buyer will need the city to put the utilities in place without charge. Valentine said the Local Development Finance Authority (LDFA) commits to assisting with utility connections; would that not be financial. VandenBosch agreed that assistance would be financial.

Valentine said thirty days does not seem like long enough. VandenBosch said we are currently working with two potential buyers and VandenBosch thinks the city will know within thirty (30) days. VandenBosch noted that the fee to the broker will be half of the normal fee but after thirty (30) days we have to pay the whole fee even if we identified the buyer.

Bolt asked, "What if the city finds a buyer that is a good fit for the goals we have in mind. What if the city wants to discount the price due to enthusiasm for the project. Schroer explained that is part of the reason for instituting a minimum fee.

The group discussed various combinations for how the land could be split and marketed, noting that the city does not want to create any un-saleable property.

VandenBosch pointed out that the city has worked on a lot of property sales in the past but most were vacant land, noting that while we have some experience, this project is far beyond anything we have done before. When you look at all the resources this group has, VandenBosch noted that if the board does approve this team, he will still be doing the same amount of work but will be working as a team with this group.

Henry asked how confident we are that the groups VandenBosch mentioned are really serious. VandenBosch said they are looking closely, they do have other options, but in thirty (30) days they should have all the information they need. Discussion ensued about the fees and how they would work. The Bradley Company team agreed that they will begin working, already have, and noted that the work the group does might push your potentials into becoming a buyer.

Motion by Kerber, second by Erdmann to authorize retaining this group, the Bradley Company, to market the property at 220 Aylworth Avenue & 1280 Kalamazoo Street.

Question by Herrera regarding the bid process. VandenBosch explained that we do not do a bid process, but negotiate offers as they come in. Bolt reminded that we are hoping to create jobs, not just sell the property.

Compton said before you have a purchase agreement, usually you have a letter of intent, business terms and conditions are spelled out.

All in favor. Motion carried.

8. Property Survey Proposal

VandenBosch explained that since we have potential buyers who would want splits, he went to the City Manager and got permission to move along.

Motion by Henry, second by Erdmann to approve the property survey.

All in favor. Motion carried.

9. Economic Development Report

McCloughan was unable to attend.

10. General Comments

There were none.

11. Adjourn

Motion by Henry, second by Valentine to adjourn at 4:45 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 February 28, 2014

	LDFA #1	LDFA #2	LDFA #3
Revenues			
Property Tax Captures	168,622	35,008	42,709
Interest Income	4,239	1,165	3,998
Land Sales			-
Other Revenue	150	-	-
Other Transfers In	-	-	-
Total Revenue	173,011	36,173	46,707
Expenditures			
Economic Liaison	166	-	382
Administrative Costs	-	-	-
Professional Fees	3,842	52	-
Contractual Services	54,367	-	132
Capital Projects	5,000	-	-
General Fund Administration	-	-	-
Transfer to Building Authority Debt Service	-	8,769	-
MEDC Loan Payments			13,604
Transfer to St. Joe Project Debt Service	80,000	-	-
Other Transfers Out	-	-	-
Total Expenditures	143,375	8,821	14,119
Year-to-Date Fund Gain/(Loss)	29,636	27,352	32,588
Cash and Investments			
Cash	128,564	149,215	282,953
Certificates of Deposit	263,078	-	2,250
Other Financial Investments	311,510	59,623	299,497
Total	703,152	208,838	584,700

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	
MEDC Loan -0% Interest - Final Payment - April 2016			\$27,208/Year

LDFA 1

LDFA 1 2014-2015 Draft Budget

	2011	2012	2013	2014	2014	2015	2016	2017	
	Actual	Actual	Actual	Budget	Projected	Proposed Budget	Projection	Projection	
Revenue									
Property Tax Captures	194,237	190,515	173,394	184,632	168,622	182,739	182,739	182,739	
Interest Income	4,984	12,248	1,110	5,000	3,700	5,000	5,000	5,000	
Land Sales									
Other Revenue	1,076		12,500		150	41,441	41,441	41,441	Maintenance and Marketing of 220 Aylworth
Other Transfers In			750,000						
Total Revenue	200,297	202,763	937,004	189,632	172,472	229,180	229,180	229,180	
Expenditure									
Economic Liaison	28,504	24,970	16,512	14,199	14,199	14,483	14,773	15,068	Kalamazoo Street Sanitary Work
Administrative Costs									
Professional Fees	5,424	1,182	53,862	1,000	3,842	1,000	1,000	1,000	Kalamazoo St/Lovejoy St Project 300k
Contractual Services	3,264		21,272			52,000	52,000	52,000	
Capital Projects			1,344,537	52,000	54,367	85,873	300,000	0	
General Fund Administration	30,000	10,000	10,000	0	0	0	0	0	
Transfer to Building Authority Debt Service									
MEDC Loan Payments									
Transfer to St. Joe St. Project Debt Service	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	
Other Transfers Out									
Total Expenditure	187,192	156,152	1,566,183	187,199	192,408	273,356	487,773	188,068	
Balance	13,105	46,611	-629,179	2,433	-19,936	-44,176	-258,593	41,112	
Cash and Investments									
Cash and Investments	524,921	90,794	72,111						
Certificates of Deposit	255,755	256,860	263,078						
Other Financial Investments	462,341	941,113	364,206						
Total	1,243,017	1,288,767	699,395	701,828	679,459	635,283	376,690	417,802	

The St. Joseph Street Project Bond extends to 2030.
LDFA 1 Development Plan extends to 2030.

L DFA 2

L DFA 2 2014-2015 Draft Budget

	2011	2012	2013	2014	2014	2015	2016	2017
Revenue	Actual	Actual	Actual	Budget	Projected	Proposed Budget	Projection	Projection
Property Tax Captures	37,844	33,965	31,232	32,456	32,024	30,221	30,221	30,221
Interest Income	4,524	4,991	3,915	5,000	2,000	2,000	2,000	2,000
Land Sales								
Other Revenue						1,803	1,803	1,803
Other Transfers In								
Total Revenue	42,368	38,956	35,147	37,456	34,024	34,024	34,024	34,024
Expenditure								
Economic Liaison		1,537		15,090	15,090	15,932	16,251	16,576
Administrative Costs								
Professional Fees		2,979	49		52			
Contractual Services								
Capital Projects								
General Fund Administration	5,000	20,000	20,000	0	0	20,000	20,000	20,000
Transfer to Building Authority								
Debt Service	13,703	12,881	12,848	13,154	13,154	12,946	12,946	12,946
MEDC Loan Payments								
Transfer to St. Joe St. Project Debt Service								
Other Transfers Out								
Total Expenditure	18,703	37,397	32,897	28,244	28,296	48,878	49,197	49,522
Balance	23,665	1,559	2,250	9,212	5,728	-14,854	-15,173	-15,498
Cash and Investments								
Cash and Investments	55,172	17,721	83,467					
Certificates of Deposit	48,000							
Other Financial Investments	76,530	163,463	100,063					
Total	179,702	181,184	183,530	192,742	189,258	174,404	159,231	143,734

Building Authority #2 Bond extends to 2022
 L DFA 2 Development Plan extends to 2022

L DFA 3

L DFA 3 2014-2015 Draft Budget

	2011	2012	2013	2014	2014	2015	2016	2017
	Actual	Actual	Actual	Budget	Projected	Proposed Budget	Projection	Projection
Revenue								
Property Tax Captures	44,666	41,460	40,986	49,546	52,014	52,204	52,204	52,204
Interest Income	7,652	5,839	-646	2,000	2,000	2,000	2,000	2,000
Land Sales		217,501						
Other Revenue	4,422	5,920	5,920					
Other Transfers In								
Total Revenue	56,740	270,720	46,260	51,546	54,014	54,204	54,204	54,204
Expenditure								
Economic Liaison	19,063	20,751	31,108	18,715	18,715	18,715	19,089	19,471
Administrative Costs								
Professional Fees								
Contractual Services	12,089	64,731	249	500	500	500	500	500
Capital Projects		148,464	8,519			75,000		
General Fund Administration	5,000	10,000	10,000	0	0	5,000	5,000	20,000
Transfer to Building Authority Debt Service								
MEDC Loan Payments	27,208	27,208	27,208	27,208	27,208	27,208	27,208	0
Transfer to St. Joe St. Project Debt Service								
Other Transfers Out			250,000					
Total Expenditure	63,360	271,154	327,084	46,423	46,423	126,423	51,797	39,971
Balance	-6,620	-434	-280,824	5,123	7,591	-72,219	2,407	14,233
Cash and Investments								
Cash and Investments	513,361	306,366	180,087					
Certificates of Deposit	100,000		2,250					
Other Financial Investments	208,511	559,495	363,921					
Total	821,872	865,861	546,258	551,381	553,849	481,630	484,037	498,270

Water Tower Painting

MEDC Loan Payment extends to 2016.
L DFA 3 Development Plan extends to 2025.

Liaison and Transfers

Economic Development Liaison

	2011	2012	2013	Projected 2014	Budget 2015	Projection 2016	Projection 2017
LDFA 1	28,504	24,970	16,512	14,199	14,483	14,773	15,068
LDFA 2	0	1,537	0	15,090	15,932	16,251	16,576
LDFA 3	19,063	20,751	31,108	18,715	18,715	19,089	19,471
Total	47,567	47,258	47,620	48,004	49,130	50,113	51,115

General Fund Administration Transfer

	2011	2012	2013	Projected 2014	Budget 2015	Projection 2016	Projection 2017
LDFA 1	30,000	10,000	10,000	0	0	0	0
LDFA 2	5,000	20,000	20,000	0	20,000	20,000	20,000
LDFA 3	5,000	10,000	10,000	0	5,000	5,000	20,000
Total	40,000	40,000	40,000	0	25,000	25,000	40,000

INDIVIDUAL PROJECT DESCRIPTION

Engineering Department PR 2015-005

Project Title	Kalamazoo Street Reconstruction, Phase III
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Department	Street Improvements, Water, Sewer
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Year Proposed	FY 2013-2014	FY 2014-2015	FY 2015-2016	Total Cost
Capital Cost		\$1,347,614		\$1,347,614

1. Description and Location

Reconstruct Kalamazoo Street from Aylworth Avenue to Elkenburg Street.

2. Source of Funding

G.L. Account #	Total Amount
204 446-801-000 Street Prof/Consult Fees	\$46,903
204-446-802-000 Street Const	\$578,465
251-901-974-004 LDFA 1	\$85,873
591-558-972-000 Water System Const	\$290,741
592-558-973-000 Sewer System Const	\$345,932

3. History and Plans

These projects are part of the revised infrastructure improvement plan approved by City Council in January of 2009.

4. Need and Impact

Need and impact are identified by the infrastructure improvement plan. Refer to City Council Meeting Agenda 01-19-09. The project proposes to construct the third phase of a larger infrastructure project that is intended to improve sewer service to the industrial area south of Aylworth Ave and the area served by the Indian Grove Lift Station. Construction of the second phase will be completed in spring of 2013. Phase I construction began at the downstream end at the Peterson Drain ravine where it crosses the undeveloped portion of Clinton Street.

Due to funding limitations imposed by the water and sewer utilities, construction is being performed in phases, with 4-5 blocks being constructed each year.

5. Related Cost Details

The City continues to seek outside funding assistance, primarily in the form of SRF low interest loans from the State of Michigan. In order to qualify for the SRF program, the City must first complete a system wide sewer study. This study is underway, but not expected to be completed until mid-2014.

Staff has attempted to identify cost saving measures during the past year. The sanitary sewer in Kalamazoo Street has been increased in size from 12-inches to 15-inches. This allows the sewer to be laid at a shallower slope but still carry the same flow. By laying the sewer at a shallower slope, the maximum depth of the sewer has been reduced from 25 feet

to 18 feet. The reduction in depth will lower the installation cost for the sewer and offset the slight increase in price of the larger size pipe.

6. Future Funds Needed

Future funds are needed to complete the infrastructure improvements as originally presented to and approved by City Council on 1-19-09. It is estimated that the full length of Kalamazoo Street, extending south to Lovejoy Street will cost approximately \$3,800,000.

INDIVIDUAL PROJECT DESCRIPTION

Engineering Department PR 2015-009

Project Title	Exterior Repainting of 300,000 Gallon Spheroid Water Storage Tank
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Department	LDFA
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Year Proposed	FY 2011-2012	FY 2012-2013	FY 2013-2014	Total Cost
Capital Cost		\$75,000		\$75,000

1. Description and Location

Exterior overcoating and dry interior spot repainting of 300,000 gallon spheroid water storage tank located west of Veteran's Boulevard in LDFA 3.

2. Source of Funding

G.L. Account #	Total Amount
253-901-974-000 Capital Projects	\$75,000

3. History and Plans

In 1998, the City constructed a water booster pump station and a 300,000 gallon spheroid water storage tank east of I-196. This created a high pressure service district, enabling the City to extend its water distribution system into an area of higher ground elevation. The improvements permitted the construction of a water distribution system to serve the properties in and adjacent to LDFA 3. Properties in LDFA 2 are also served by this water storage tank.

4. Need and Impact

The water storage tank is an epoxy urethane system. When last inspected in 2008, the coating was noted to be in overall good condition with some minor failures on the baseplate, roof vent neck, and on the painter's rail and roof safety rail. The consultant who performed the inspection advised the City to budget for exterior overcoating in 3-5 years. The consultant's report indicates that average exterior coating life is 12-15 years.

The proposed work will recoat the exterior of the tank with a full coat of epoxy, followed by two full coats of polyurethane. This system will have a life span of 12-15 years and can be recoated again at that time. Performing these periodic recoatings will postpone the need to strip the tank down to bare metal until 2038. Minor repairs to some interior coatings will also be completed.

5. Related Cost Details

The following cost summary is from the 2008 inspection report:

Exterior overcoat:	\$55,000
Dry interior spot repaint:	<u>\$5,000</u>
Subtotal:	\$60,000
Engineering and contingencies:	<u>\$15,000</u>

Total Project Cost: **\$75,000**

6. Future Funds Needed

