

BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

Friday, December 20, 2019

A special meeting of the Battle Creek Tax Increment Finance Authority (BCTIFA) was held on Friday, December 20, 2019 at 9:00 a.m. at the Frederick R. Brydges Customs Cargo Center, BCU Board Room. The following individuals were in attendance: Messrs. Christensen, Claywell, Czerney, Davis, Stewart, and Wilson and Mmes. Darner, Fleury, and Visger.

Absent were: Messrs. McKernan, Newsome, and Ms. White.

Also, in attendance were: Messrs. Corder, Dearing, Greg Dilone (Clark Logic), Gibson, Mumford, Reid, Sobieralski, Jeff Smoke (Great Lakes Capital) and Mmes. Jones and Young.

Mr. Stewart called the meeting to order at 9:00 a.m. Roll call of attendance was recorded.

APPROVAL OF MINUTES

Ms. Young stated on page 5, second sentence, the word consul should be corrected as counsel.

MOTION: Mr. Christensen moved that the Battle Creek Tax Increment Finance Authority Board of Directors approve the October 15, 2019 minutes as corrected. Mr. Davis supported the motion and it was unanimously approved.

CLARK LOGIC PROPOSAL FOR I-94 SOUTH

Mr. Sobieralski stated that the proposed project has been under discussions with Battle Creek Unlimited (BCU) and the BCTIFA Board for approximately one year. Staff has been negotiating with Clark Logic and Great Lakes Capital which have partnered and formed an entity named Industrial Partners USA, LLC. The project will be beneficial to all parties involved and will provide some spec buildings that will set Battle Creek apart in the Southwest Michigan area. The site of interest is I-94 South.

Mr. Corder presented the details of the project. The developer (Industrial Partners USA, LLC) has proposed \$1,000,000 for the 88 acres and plans to construct three buildings in three separate phases. Each building will be roughly 250,000 sq. ft. for a total of 750,000 sq. ft. within 5-6 years. Staff and the developer have worked out terms of an agreement for Phase 1; Phase 2; and Phase 3. Each phase is contingent on 75% occupancy or 24 months after closing. The developer has agreed to invest \$10 million in Phase 1; \$8 million in Phase 2; and \$8 million in Phase 3, for a total capital investment of \$26 million. Staff believes this is a good opportunity for BCU, BCTIFA, and the developer.

Mr. Stewart raised the question about the property on the East side of the tracks. Mr. Sobieralski stated the developer did not want the 30.67 acres on the East side. The property has approximately 10 acres that is developable, the remaining property is wetlands. There are no plans to build on the East side acreage, however it could be used for a rail spur, truck drop, or possible drainage. When the property was evaluated by OHM it was recommended that it be used for drainage.

Mr. Claywell asked the developer what their process and vision was for creating local jobs. Mr. Claywell indicated by creating local jobs, it creates opportunities for our local businesses, keeps the money in our tax districts, we have the responsibility to look after the businesses that supply the money. Mr. Claywell encouraged extending the contracts to our local contractors that employ our local labor.

Mr. Smoke stated the opportunity is the building, it will allow a business to move to Battle Creek and employ jobs locally. The developer indicated his preference is to use local labor where it makes sense. The project has been bid out and the market is very competitive. Mr. Smoke stated he would be happy to make sure they have a last look to verify things are fairly bid. The developer did not intend to bring in subs from one hour away.

Mr. Sobieralski asked Mr. Smoke to define “last look”.

Mr. Smoke stated if they had a drywall sub from Elkhart or Goshen area and they provided a competitive price, they would inform the local contractor of the price they would need to be at to make the deal work. It must make sense financially, but the developers’ preference is to employ local labor.

Mr. Corder stated that during discussions, hiring local labor was included in the working document of terms between Industrial Partners USA, LLC and the BCTIFA. The terms were included under Section E, of the legal document created by legal counsel.

Mr. Smoke stated that they have three phases of buildings to develop and want to build relationships with the subs and contractors locally.

Mr. Stewart thank the developer for that consideration. He appreciated that it was included in the document and the feedback. He stated he did not want it to be lost on other types of diverse businesses (women-or minority owned businesses) set a precedent for other projects.

Mr. Dilone suggested Mr. Claywell submit any contractors that they can include in the bid process.

Mr. Storm stated that once this project is approved, next steps include going to Michigan Economic Development Corporation (MEDC) seeking a spec collateral loan.

Mr. Sobieralski stated that the land was appraised at \$1.4 million. The developer proposed an agreement for \$1,000,000 in phased out terms. Therefore, a \$1,000,000 check will not be written at closing. The rationale behind this is because it is a speculative building and market. The developer needs to seek financing for the \$10 million investment, and it needs up front concessions once the building is made whole.

Mr. Corder stated that Battle Creek Unlimited will work with the developer to place tenants on the property. He informed the Board that Battle Creek continues to miss out on several opportunities because we do not have any available buildings to market. This will be a great partnership for us and the opportunity to have 750,000 sq. ft. to market, and the sizes are flexible.

Mr. Czerney asked if we proceed with the project are we committed to idle the other two phases for up to two years.

Mr. Sobieralski stated two years will go by pretty quick. The BCTIFA has other large parcels of size that are available should something of size come along and/or they need something of that size.

Mr. Mumford asked if staff was ready for the Board to authorize the BCTIFA Chair to enter into a Development Agreement with Industrial Partners USA, LLC.

Mr. Stewart stated that this proposal is much improved over what was proposed in the past. He appreciated the work that has been done to move this project forward.

Mr. Christensen stated that the previous \$300,000 proposal was going to place the developer in a competitive market for lease space of \$4.25 - \$4.50 sq. ft. How does the new price affect the rates?

Mr. Smoke stated that the costs should be the same and should not affect the first building. But, to keep the momentum going for the second and third buildings it will be more expensive.

Mr. Dilone stated that Clark Logic has 1.5 million sq. ft. of lease space and they are at capacity. There are spaces with 100,000 sq. ft. benching \$5.00 sq. ft. in the marketplace along I-94.

MOTION: Mr. Claywell moved that the Battle Creek Tax Increment Finance Authority Board of Directors authorize the Chair to enter into a Development Agreement with Industrial Partners USA, LLC as presented. Ms. Fleury supported the motion and it was approved unanimously.

Mr. Stewart stated that he and legal counsel will complete the necessary work to get the project moving.

W. RIVER ROAD/ARMSTRONG ROAD LAND SALE

Mr. Corder stated that this project is being called Project Deep Dish. A real estate developer came to Battle Creek from the Chicago area approximately one month ago. The company was previously interested in 120 acres in Muskegon for a cannabis park. They have discussed construction of a building between 3,000,000 – 5,000,000 sq. ft. They are interested in acquiring the entire 100 acres just north of the VA Medical Center. An image of the proposed building was displayed. The project fell through in Muskegon because the site was a Superfund Site and there were limitations for use. The Environmental Protection Agency (EPA) came in and said they could not sell the property for cannabis use. The company would serve as a developer, who would build the property, they do not intend to operate any cannabis businesses. They will develop the buildings and manage the facilities. They like the location and our vision of the space. They are ready to negotiate a price for the property. The developer proposed \$1.4 million for 104.835 acres of land which includes six parcels owned by the BCTIFA. One parcel is owned by the City of Battle Creek and is used as a retention pond. Staff is currently in negotiations with the developer, with terms including: access control, fencing, and Fort Custer Industrial Park Protective Covenants.

The developer will develop the property for grow, processing, storage, and testing. There will be no retail on site.

Our plan was to have one access road off Armstrong Road which would extend to the length of the property with a cul-de-sac. The developer may want two access roads, or a horseshoe. The offer is for \$1.4 million with a 60-day due diligence period, with an option for an additional 60-days.

Mr. Sobieralski stated that negotiations started at \$2 million, the developer countered at \$1.2 million, and we countered at \$1.6 million and negotiated to \$1.4 million.

Mr. Stewart asked if the property has ever been appraised. Mr. Corder stated that the property is from the original plat from the government and the land has not been appraised. Years ago, BCU had the property cleared of large hard woods. It will not take much to clear the sites. A question was asked on how much do we have invested in the site? Investments would include Phase I and Phase 2 when the sites were cleared, well under \$500,000.

Mr. Claywell suggested that the Development Agreement be written that the developer is responsible for all utilities and that the property is being purchase as is. The BCTIFA is not responsible for the access road, soil samples, drainage, or utilities.

Mr. Corder stated that the developer plans to have their own co-generation plant on site. They anticipate being a large energy user. This site is well served by all utilities.

Mr. Sobieralski stated that a clause can be added that they are buying the land as is, there will be no support for road construction and utilities.

Mr. Mumford stated that the developer would use BCTIFA standard sales agreement and would compel the developer to go through the BCU Development Review Board process. The document would also include language that BCTIFA will not be responsible for bringing additional utilities to the site.

Mr. Claywell asked if staff has considered reaching out to the existing businesses located in Fort Custer Industrial Park to inform the tenants of this size of project. Mr. Sobieralski stated that BCU has not informed anyone to date. However, there are several board members that sit on the board that are aware of the project. BCU can plan to make direct contact.

Mr. Claywell suggested a courtesy luncheon to let the businesses know that a developer is planning to acquire 100+ acres and will build up to a 5,000,000 sq. ft. building for a cannabis business in the Fort Custer Industrial Park and any feedback would be appreciated.

Mr. Corder stated that the developer is anticipating 200-300 employees working in the area, they asked about adding a café and bank to serve the needs of the employees, because of the location in the park. The intent to open the campus to other park tenants is not the intent.

Mr. Czerney asked if we had any information on the perspective buyer and what are the prospects for job creation.

Mr. Corder stated that staff knows they are a real estate developer from the Chicago area. They have built other properties, this is their first cannabis development. The prospect for creation of jobs, really depends on the product. There will be facility managers to manage the properties, they anticipate the jobs created from the companies coming in and investing. The developer in anticipating this project to be a job creator and job attractor.

Mr. Sobieralski stated that for every 150,000 sq. ft. building, it would be 75-100 jobs for this type of operation.

Mr. Corder stated that staff is seeking approval of the purchase price, not approval of final terms.

Mr. Sobieralski stated that the real estate agent wrote up an offer for \$1.4 million with a 4% commission (\$56,000) paid by the seller. Mr. Mumford stated that the BCTIFA has never paid a commission before, we need to consider the \$1.4 million, minus the \$56,000 for a total cash purchase of \$1,344,000.

Mr. Christensen asked if the local roads would accommodate an additional 1,000 people. River Road west is in good shape, however Armstrong Road is a county line and would require improvements.

Mr. Claywell stated that the intent is not specifically the money, but the intent setting a caveat for future sales that we are now committing to 4%. His focus is on if we are going into the business of paying realtors, what does that look like.

MOTION: Mr. Claywell moved that the Battle Creek Tax Increment Finance Authority Board of Directors approve the \$1.4 million and give staff the flexibility to remove the 4% commission (\$56,000) and come up with a rate consistent to that amount, removing the negotiation clause would be acceptable. Ms. Dahner supported the motion and it was approved by majority vote. Mr. Czerney voted No.

PROSPECT/PROJECT DEVELOPMENT UPDATE

Franklin Plastics - Mr. Sobieralski stated that the company has a lot of storage outside on their property and is in violation of the Fort Custer Industrial Park Protective Covenants. BCU staff continues to work with the offenders of the Protective Covenants. There are some other businesses that staff is working with. Franklin is interested in building a new 50,000 sq. ft. building on an adjacent site, south of their current location and utilize the existing parking lot for both facilities. The company is not able to expand on their existing site because of the Air National Guard (Blast Zone) radius around the ammunition storage. Staff will do some due diligence, soil borings, and geotechnical to see if site is viable. Staff will engage in some professional services (SME) to make sure the construction is supported on the site. The building would be used for storage with small amount of processing. The storage behind their facility would be moved into the new building.

Jones Lang LaSalle (JLL) Real Estate Services – Mr. Corder stated that he has been in contact with the JLL real estate company interested in listing the available BCTIFA sites. The sites include Fort Custer Industrial Park and surrounding area Watkins Road, I-94 North, and Stone Jug. We have a list of properties that we are proposing to give them. This is a strategy that staff plans to move forward with. JLL is an American commercial real estate services firm, the second-largest company of its kind in the world. JLL is a property consultancy company specializing in property services and they have global reach, with offices all over the world.

Mr. Stewart requested that the McQuiston Drive acreage be removed from the list.

Robbins Building Update – Ms. Jones stated that on December 2nd, the developer contacted the realtor asking for additional time for the due diligence. The roof inspections did not get completed as the developer started the due diligence a month later than scheduled. The Robbins Building Committee agreed to extension of time until January 17, 2020 for the agreement. The closing would take place 10 days later.

PUBLIC COMMENTS

Mr. Sobieralski thanked everyone for attending the special meeting and wished everyone happy holidays. He mentioned that if all of these projects come to fruition, it will free up some bandwidth for the UAS drone development activity.

The next meeting is scheduled for Tuesday, January 21, 2020 at 3:00 PM.

There being no further business, the meeting was adjourned at 9:50 a.m.