

**WARREN CITY COUNCIL
SPECIAL MEETING
January 13, 2014**

A Special Meeting of the Warren City Council was called for Monday, January 13, 2014 at 6:00 p.m. in the Warren Community Center, Conference Room C, 5460 Arden, Warren, Michigan 48092.

MEMBERS OF THE COUNCIL present:

Cecil D. St. Pierre, Jr., President
Patrick Green, Vice President
Scott C. Stevens, Council Secretary
Robert Boccomino, Councilman
Kelly Colegio, Councilwoman
Steven G. Warner, Councilman

ABSENT:

Keith J. Sadowski, Assistant Council Secretary

Also Present:

David Griem, City Attorney
Richard Sabaugh, Public Service Director
Phil Easter, Human Resources

1. CALL TO ORDER

Chairman St. Pierre called the meeting to order at 6:00 p.m.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

All Council Members were present except for Councilmember Keith Sadowski.

Motion:

A motion to excuse Councilman Sadowski was made by Councilman Boccomino and supported by Councilman Green.

Voice Vote:

A voice vote was taken on the motion. All "Ayes" the motion carried unanimously (6-0).

4. ACKNOWLEDGEMENT OF RECEIPT OF NOTICE OF SPECIAL MEETING

Councilman Warner stated so acknowledged.

5. ADOPTION OF AGENDA

Motion:

Motion to approve made by Councilman Green and support motion made by Councilman Stevens.

Voice Vote:

A voice vote was taken on the motion. All "Ayes" were recorded and the motion carried (6-0).

6. James Van Havermaat, City Engineer, Discussion in re: Water Department Lease.

Richard Sabaugh Public Service Director stated the lease was negotiated by the Public Service Department not the Water Department. The building used to house the engineering department and water customer service but now it was vacant. Two floors are vacant except for some sparse offices housing some water department employees. He has a map present that outlines the area to be leased on the second floor. He had negotiated \$12.50 per square foot arrangement and following the tabling from the last Council meeting the price has been increased to \$13.00 per square foot. METCO will pay for improvements on the lease and the City will reimburse METCO for 50% of those improvements through rent credits. The City would be responsible for all the utilities and up keep as any landlord would have. This has been vacant for four years and it is just sitting there vacant. He had met with President of METCO and they started talking and he told him about the vacant space available and he said he wanted to move some of his crew out of Detroit. The best part about this was the remaining 2,700 feet he has the right of first refusal and he was thinking of expanding if this works out so it was feasible that the entire second floor could be housed by METCO and the standing \$13.00 per square foot. It was good deal, he had the assessing department look at some of the prevailing rental rates and it was somewhere around \$10.00 per square foot for that area.

Councilman Stevens stated he was the one that got this item tabled and the reason being was he did not think \$12.50 or \$13.00 per square

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foot was a good price. He though \$16.00 per square foot was a good price and he did not know if anywhere that a landlord reimburses 50% of the improvements unless it was a structural outside improvement or something like that but to reconfigure office space nowhere does a landlord do that. He can understand this was a special situation but the City has also kept the utilities at a lower rate, the lights were not on, etc. Now the heat would be raised and turn the lights on etc. so there will be increased prices for the utilities. METCO agreed to the \$13.00 and he could go along with that but he could not see paying 50% of the improvements for their use. What he would be willing to do would be 50% upon the improvements of everything beyond what they have agreed to lease here.

Chairman St. Pierre stated as a landlord they are responsible for the build-out as a general rule. The landlord has either built out or builds it out. What was the number of years on the lease? Five year lease would be amortized. This was a tougher area renting wise. If you look at the rental areas, he did not know what the industrial was going for but let's just say it was more industrial it could be \$11.00 a square foot so \$13.00 a square foot was not such a bad price. As far as industrial goes usually they don't need as much of a build out. But here this was not putting any money out of our pockets.

General discussion took place about heating and lighting.

Councilman Stevens stated it would not be utilities just for this small area it would be for the whole building and that was why he was saying the City should not be paying for that. He could see keeping the plumbing heated and stuff but he could see METCO paying 100% of the improvements for what they want now and the City do 50% for any additional floor space they want after that.

Richard Sabaugh stated the Secretary of State was negotiating with the DDA for leasing space at Majestic Center and they insisted the City pay for all the improvements.

Councilman Stevens stated he had done build outs for the Secretary of State in years past.

Richard Sabaugh stated he checked with assessing and they are pretty familiar with the rentals and they say the landlord usually pays for all the upgrades. He thinks the City got \$3.00 more per square foot that they City should have when you look at the prevailing square foot in the area and he thinks it is a pretty good deal.

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Councilman Stevens but now the City was paying for utilities and now it would have to be kept at 72 degrees at least and now the lights would have to be on and water. It would be a considerable amount of money.

Richard Sabaugh stated there was no way of isolating that area the whole area would be heated. There are people there already and it was 70 degrees for the whole building right now. The lights would be paid for and he thinks it was still a good deal. To get \$13,000 a year and maybe another \$26,000 if they rent the rest of the building out was a good deal. Otherwise it was a vacant building.

Councilman Stevens stated that was where he was at. He believed they should pay 100% of the initial build out and then he would be willing to 50% of additional floor space they want after that.

Chairman St. Pierre stated the City was getting nothing right now and the City was almost downsizing rather than increasing more or less so it was probably a bad build to begin with for something not needed.

Richard Sabaugh stated it was ideally located and he checked pretty closely on what the rates were and the city was getting more than average. He could appreciate the utilities but the increase of \$3.00 per square foot should more than pay for the utilities he thought. If METCO rents the rest of it, probably another \$26,000.00.

Chairman St. Pierre pointed out that the City did not have to pay any real estate taxes.

Councilman Stevens stated that was because the City was not in real estate business.

Councilman Green stated item number 4 on the proposed lease agreement he agreed with Councilman St. Pierre that the landlord commonly puts something toward some type of build out. He questioned the portion that stated the annual rental fee for the first year would be credited by 50% of the costs the tenants preoccupancy. Could the Council cap that at 50% of the annual rent? If the renter's costs for a build out were \$13,000.00 then the City gets nothing. Rather than a percentage here was a maximum dollar amount. This way the renter knows how much he can work with. Going toward what Councilman Stevens said, if they did rent the entire second floor then the City could look at something after the five years, ok now that they are in a space and built out, the City could cut out the utilities and give

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them their own meter and go from there. Right now getting people into a space would be the focus.

Richard Sabaugh stated he was desperate to move out of Detroit for whatever reason. METCO will house 3 or 4 people at first and he has a 15 person staff that he would like to move eventually.

Chairman St. Pierre stated that was 1.5 percent that METCO would save in salary alone. On the build out who would put the price in and do that?

Richard Sabaugh stated it would be monitored and make sure that the best price was awarded. It would go out to bid. We still have the facility and the improvements if METCO leaves.

Councilman Boccomino stated that getting people in was the first priority. The City needs to change the perception of being like Detroit. He wants people coming in and choosing Warren. If this was the start of it whether it was the homes or this, vacant is perceived as negative and the City was not in the rental business but getting revenue in was better than having it vacant. Publicity wise can hang the hat on that a little bit and attract more people not only for the Cities properties but for private properties and he would like to have people see Warren more as a destination City to bring businesses or employees too. Small but it was a start.

Richard Sabaugh stated if it was Council's pleasure to cap improvements at a certain amount he did not see that being a problem.

Chairman St. Pierre stated if that was not a deal killer.

Councilwoman Colegio asked if there was reason that the City did not just sell the building.

Richard Sabaugh stated the Water Department vehicles were housed in the back garage. There are Water Department people working there also in smaller offices.

Councilwoman Colegio asked if the City would also be picking up the garbage for them as well.

Richard Sabaugh stated yes.

Councilwoman Colegio asked if the janitorial was included.

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Richard Sabaugh stated yes there was already a janitor there and he did not see it as being that much more work. Just a small office with five or six people. It would be carpeted and partitioned making it improved.

Councilwoman Colegio stated that she could understand wanting to bring in some revenue into the City but she thinks one of her concerns was when City buildings are leased out it takes away the potential for business to perhaps purchase a building in the City. The City becomes competition with private sector businesses. She was not comfortable with how the City came up with this engineering firm to come in here or if other sections were offered to the other engineering firms that are coming.

Councilman Green stated what about if after one year, if the remaining floor was not leased then cost of utilities and janitorial would be blended in. Part of it was getting them in there was some intent of them coming and taking the whole other floor. There was a carrot, take the rest of the floor or if you just keep the little space.

Richard Sabaugh stated after one year the City could monitor the cost of utilities, he did not think they would have a problem with that.

Councilman Green stated after one year the City retains the right to change it based on the amount of space.

Chairman St. Pierre stated ok as long as they were not deal killers.

Councilman Warner asked regarding the garage was that going to be shared with them or would there be any storage issues.

Richard Sabaugh stated no, they just park outside. The City was responsible for the snow removal anyway because the City has employees there so there was no additional cost to the City. The garage was just for trucks and if they had any equipment that was not part of the deal.

Councilman Stevens asked if this had been advertised for lease. This was strictly for METCO. Ms. Colegio made a perfect point in that this puts the City in the real estate business and it should be promoting that they rent from another individual or another company because those people are paying taxes and the City was not. This was a good deal for METCO. As they accumulate more space which he believes that they will the cost to the City and services it was providing will go up. Is there

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anything in place for that? Yes they are improving the site but if they move out would that be what the next company would want?

Richard Sabaugh stated it would be an improvement, upgraded.

Councilman Stevens asked who owned the building.

Richard Sabaugh stated the City, the Water Department.

Councilman Stevens stated Building Authority and thinks approval should be received from them before moving forward.

Richard Sabaugh stated if it was the Building Authority it had to be paid for by now. He would get their approval.

Councilman Stevens said he did not like the idea that the City was paying for everything and feels this is a sweet deal for METCO. Especially with the option of expanding.

Richard Sabaugh stated the City could be getting another \$50,000.00 dollars if they rent the entire floor because there was another 2,700 feet that would available that are not being used for anything.

Councilman Stevens stated he thinks they will eventually move their operations there he would that was a good deal.

Councilwoman Colegio asked if the City did rent out the City property if that would have any conflict if they ever wanted to become a vendor with the City in the future.

Richard Sabaugh stated he did not know why it would be.

General discussion took place on ownership and conflicts.

Councilwoman Colegio stated she was not saying it was a bad idea just asking a technical question was all. Any insurance liabilities? Who was insuring them while they are in the building?

Richard Sabaugh stated the City carries its own insurance.

Chairman St. Pierre stated that as a general rule they have to get their own insurance and add the City of Warren as an additional insured. That should be a condition of the lease.

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Councilwoman Colegio asked if the City could be sued in any way for things that happen up in their offices.

Chairman St. Pierre stated that was right.

Councilman Stevens stated and the City does not pay for their furnishing if something happens because they have their own insurance on their items.

Chairman St. Pierre called for the next item as this item would be voted on at the Council meeting for January 14, 2014.

7. Bill Gambill, Neighborhood Services Coordinator, Discussion in re: Tax Reverted Properties

Richard Sabaugh wanted to introduce Bill Gambill and let him carry the ball but it was an idea that Tim Baker from Assessing came up with and was familiar with it of the City buying the tax reverted properties and working out a deal so that the city could hire a broker and investment firm. The best part in the details was that the City did not have to buy the properties. If the City does not get a good bid from someone to buy them from the City the City could just tell the County go for it. The most important thing he feels was that the City could put in any agreement with an investment firm that bids on it was that the city wants a certain percentage of homes that were owner occupied. Obviously with what the City has had in the past that was not a condition but now the City could say that 40% of the homes have to be sold to homeowners or whatever the percentage was. Now if that were made a mandate it may lower the bid price because they may find it difficult selling homes as owner occupied but the City could control how many were owner occupied. That was something that the Council and the Mayor have a high priority of.

Chairman St. Pierre stated he knew someone that wanted to put in 42 rent to own, did that count?

Bill Gambill Neighborhood Services Coordinator stated that on tomorrow's agenda was an appointment for an RFP committee member from City Council and the Assessing Department and himself started looking at some of the tax reverted property trends. The interesting thing was since the County introduced this all or nothing approach where the City gets first right of refusal of all of the properties or none of them the percentage of Macomb County auction properties have increased every year since 2011 when it was 46%, 61% in 2012

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and 83% of the last bulk sale were Warren properties. A large percentage of the Warren properties were located south of 10 Mile and the trend was slightly increasing. Large percentage of the unimproved vacant properties becomes tax delinquent. So there is a cycle of those and he had a two year review and obviously 2013 the City would find out the tax delinquents but 89% in 2011 and 89% in 2012. He was going to include some rental numbers but it would say it was going down but obviously 2013 there probably still applying for rental licenses as of the fall when this was done so it really was not fiscal data but south of 10 Mile he had found that it was 43% rentals and actually if Council would look at the 7 page handout they could get an idea of what was being talked about. The first page was the 2013 auction properties and a lot of them in Warren are really concentrated in the south end. Some research led the City and Tim Baker looked into this and East Pointe exercises their first right of refusal in 2013 and sold the properties to the highest bidder and they netted a total of \$454,539.00 and that was money that the City could take in and demo some of the nuisance abatement properties. Roseville included a bid price and an investor's commitment to homeownership objectives and they did not net as much but they had the investor commit that they would sell so many to homeowners so that was another thing that Mr. Sabaugh stated that the Mayor and obviously this Council was very interested in increasing homeownership. The RFP Committee would identify an appropriate broker and investor to help achieve the goal of homeownership and he would also like to see if something could be done with the tax reverted vacant unimproved land. Interests are that the City can opt out. So the City can go through this RFP process and see what once the City gets the broker then help create a market and see what is proposed to the City. If the City does not find a proposal worth recommending to Council the City would not exercise its first right of refusal and will have lost nothing. This way the City was kind of ahead of the game this year and can see what is out there and select our own partner and can work with them. The risk is reduced by getting a contract with investors before the City accepts the first right of refusal so it would be all lined up. Part of the reason he wanted to come to Council tonight as part of the Special meeting was to let Council know that this would be a tight schedule to meet all the deadlines and the committee member appointed by Council should keep that in mind. The City would be pushing this forward and there would be a lot of involvement of the Attorney's Office on this so they would need everyone to work through the tight schedule.

Chairman St. Pierre asked what the dates were and when an investor needed to be in place.

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Tim Baker from the Assessing Department stated that he was a real estate broker and has a background in real estate appraisal for residential. Basically the first deadline would be the RFP committee for the broker looking at getting the committee together after Council appoints its member, so the following week to meet. Then by January having a broker lined up. Then for proposals to be due by February 12, 2014 and have those evaluated.

Bill Gambill stated he was looking award the broker services March 11, 2014 and then working to get the RFP to get the investors and awarding a contract June 10, 2014.

Councilman Stevens stated there was a broker that CDBG uses.

Bill Gambill stated he was looking for one that experience in working with Cities and selling these types of homes.

Tim Baker stated he was keeping an open mind on this but the City wants to get someone that can handle it. This was not easy and not every broker can handle it. He himself was a broker and he would not take a City of this size on, maybe a smaller city. He would want someone that has gone through this process and can shepherd it through, there was way too much risk involved. He was thinking there are some people that have expressed some interest and the City would see by opening it and seeing who comes to the table but it was going to be someone that has a staff. His point was that there needed to be caution on who was selected because that sets it all up and they create the market.

Councilman Stevens stated so the person that gets selected from Council needs to have a flexible schedule that they can make the meetings. Was there anyone on Council that has a flexible schedule and would be interested?

Chairman St. Pierre stated he could do it.

Tim Baker stated he was hoping that some of this could be done electronically but he has not been with the City that long so he did not know how much the City can technology wise can do things but he personally wants to move this along so e-mails and electronically back and forth would be something they would want the representative to be able to do.

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Councilwoman Colegio asked why the real estate committee did not just sit on this RFP.

Chairman St. Pierre stated because they just want one person.

Councilwoman Colegio stated there are like 20 people on this RFP.

Tim Baker stated yes all stakeholders have a representative.

Councilwoman Colegio stated that was right but Council was responsible for selling real estate she did not see that it would hurt to have a few more on the committee.

Chairman St. Pierre stated that Council would have to approve any contract in the end.

Tim Baker stated this was big committee and it was going to be tough to schedule and manage with the tight schedule to get across the finish line he could not be hijacked in doing a lot of things and it was ok if the City does not make it then they try again next year.

Councilwoman Colegio stated she did not think it would be hijacking. He mentioned that he had spoken with a couple brokers that had showed some interest, was that general conversation or just out and about hearing people talk about it and researching it.

Tim Baker stated researching it and looking at other Cities and finding out how the City could set it up.

Bill Gambill stated one thing about the broker services was that the City would be incentivizing certain items so the City would structure it that a certain commission would be withheld until certain amount of homeownership sales are made. Not necessarily would just one broker be interested in it also.

Councilman Stevens stated actually this should have been started earlier because Council has to have a committee of the whole so it could determine the percentages of what it wanted as far as owner occupied verse rental and who would sell the corporations and private investors.

Bill Gambill stated that part of that getting the broker that has experience with a portfolio, that person would help craft that investor

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RFP where a realistic number would be established in the percentages.

Councilman Stevens stated that there would not be enough time for it to come back to Council for Council to say 60% owner occupied and sell 40% to private investors for example.

Bill Gambill stated all of that would be in the final contract but a committee of the whole could be held before the final investor contract was awarded.

Chairman St. Pierre stated they would come to Council and state that the RFP recommends this. It still has to come to Council for approval. It would come to Council eventually. That was how it has been done in the past.

Councilman Stevens stated he was saying that the Council should set the parameter's first but it was going to be what it was going to be.

Councilman Green stated he assumed they were grabbing a copy of the RFP solicitations for East Pointe and Roseville to mirror.

Bill Gambill stated the East Pointe one was really just a bid. The Roseville one some ideas were taken from it but the city was going to craft something of its own.

Tim Baker stated there would be a two-step dance here in getting the broker and then the investor and that process was quite a bit different than the rest of them have done. It really does push the City for tight schedules. He envisions the Councils input on this would be that the representative appointed would keep the rest of Council in the loop so that person becomes a pseudo vote of what the Council was looking at.

Councilman Green stated so there 327 properties in Warren as of 2013. Was there another list that comes out in March?

Tim Baker stated it was dynamic meaning that it fluctuates all the way up until the deadline in June and they have allowed people to pay the taxes even past the deadline. So as soon as the City says they are interested and tries to exercise that right then there would be a number that the City could work with. It will change and the investor would have to understand that it was the dynamic of the number that would change along the way.

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Chairman St. Pierre asked what the investor had to commit to as far as homeownership.

Tim Baker stated zero. Exactly that was the point.

Chairman St. Pierre called for the next item as again this item would be voted on at the January 14, 2014 Council meeting.

8. Request for Closed Session in re: Discussion of Written Confidential Attorney Client Communication pursuant to 8 (h) of the Open Meetings Act.

Motion:

Councilman Green made the motion to approve a closed session on the above listed item and the motion was supported by Councilman Stevens.

Voice Vote:

A voice vote was taken on the motion. All "Ayes" were recorded and the motion carried (6-0).

Motion:

Councilman Green made the motion to recess the special meeting and to enter closed session and the motion was supported by Councilwoman Colegio.

Voice Vote:

A voice vote was taken on the motion. All "Ayes" were recorded and the motion carried (6-0).

Special Meeting Recessed at 6:40 p.m.

CLOSED SESSION called in accordance with the provisions of Section 8(c) & (h) of Act 267, P.A. 1976.

Closed Session was called to order at 6:42 p.m.

- 9. Discussion in re: Contract Negotiations (reconvened from December 16, 2013)**
- 10. Phil Easter, Human Resource Director, Discussion in re: Cristini v City of Warren.**

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11. **Phil Easter, Human Resource Director, Discussion in re: Arrowood Indemnity Company v City of Warren.**
12. **Warren Police Department: In Re: Discussion of Written Confidential Attorney Client Communication.**

Closed Session Adjourned at 7:52 p.m.

Special Meeting reconvened at 7:53 p.m.

13. **AUDIENCE – an opportunity for citizen participation**

No one appeared

14. **ADJOURNMENT**

Motion:

A motion to adjourn was made by Councilman Green and supported by Councilman Stevens.

Voice Vote:

A unanimous voice vote was recorded. The motion carried (7-0).

The meeting adjourned at 7:54 p.m.

Scott C. Stevens
Council Secretary
Mayor Pro Tem