

**MINUTES OF THE REGULAR MEETING OF THE  
MICHIGAN CITY REDEVELOPMENT COMMISSION  
JULY 13, 2009**

The Michigan City Redevelopment Commission met in a regular meeting in the Common Council Chambers, City Hall Building, 100 East Michigan Boulevard, Michigan City, Indiana, on Monday, July 13, 2009, at 5:00 p.m. local time; the date, hour and place duly established for the holding of said meeting.

**CALL TO ORDER**

Chairman Ken Behrendt called the meeting to order at 5:05 p.m.

**ROLL CALL**

The following members were noted present for the record: Ken Behrendt, Ed Bigda, Lynne Kaser and Neil Kienitz. Michael Kniola was absent. (4 present – 1 absent) Staff in attendance: Executive Director John Pugh, Zoning Administrator/Rehab Officer Joseph Siegel, Attorney Michael Bergerson, and Secretary Debbie Wilson.

Public in attendance: Bob Bailey, Councilman Robert McKee, Councilman Richard Murphy, Joe Cavolick, Ron Miller from WE-FM, and Laurie Wink from the News Dispatch.

**APPROVAL OF MINUTES**

The Chair entertained a motion to approve the minutes of the regular meeting of June 8, 2009.

***A motion to approve the minutes as written was made by Ms. Kaser. The motion was seconded by Mr. Kienitz, with the vote as follows: (AYES): Ken Behrendt, Ed Bigda, Lynn Kaser, Neil Kienitz (NAYS): None***

***With a vote of 4 ayes and 0 nays, the motion was unanimously APPROVED.***

**CLAIMS**

Mr. Pugh distributed and reviewed the claims list for July:

**Payroll**

Staff Salaries	06/19/09	3,299.22
	07/02/09	<u>3,923.39</u>
		<b>7,222.61</b>

**Claims (Regular)**

Lenore Gregory	Acct services - May 2009	250.00
Michael Bergerson	Legal retainer - July 2009	<u>300.00</u>
		<b>550.00</b>

**Claims (N TIF)**

Michael Bergerson	Legal services N TIF	5,810.00
Baker & Daniels	Legal services - Sobkowiak	37,487.45
LaPorte Cty Appraisal	Appraisal - 410 E 6th	1,200.00
Cavolick Consulting	Consulting - Blocksom	4,750.00
Heritage Appraisal	Sobkowiak/Weber litigation	4,450.00
Bechstein Construction Corp	Demolition - Old Ice House	<u>126,635.00</u>
		<b>180,332.45</b>

**Claims (S TIF)**

Beam, Longest & Neff	Engineering - 400 N	34,066.46
Beam, Longest & Neff	Engineering - Towne Center Dr	1,874.49
US Bank	Debt service 2007 bonds	103,863.78
Rieth Riley	Construction - 400 N	<u>29,301.18</u>
		<b>169,105.91</b>

The Chair entertained a motion for approval of the claims.

***A motion to approve the claims was made by Mr. Bigda. The motion was seconded by Mr. Kienitz, with the vote as follows: (AYES): Ken Behrendt, Ed Bigda, Lynn Kaser, Neil Kienitz (NAYS): None***

***With a vote of 4 ayes and 0 nays, the motion was unanimously APPROVED.***

**FINANCIAL REPORT**

Mr. Pugh reviewed the financial report ended May 31, 2009.

The Chair entertained a motion for approval of the financial report.

***A motion to approve the claims was made by Mr. Bigda. The motion was seconded by Mr. Kienitz, with the vote as follows: (AYES): Ken Behrendt, Ed Bigda, Lynn Kaser, Neil Kienitz (NAYS): None***

***With a vote of 4 ayes and 0 nays, the motion was unanimously APPROVED.***

### **STATUS AND UPDATE OF BLOCKSOM ACQUISITION**

Attorney Bergerson reported that there is an agreement. The final details were put in place this afternoon. He introduced Mr. Cavolick, the consultant on this project. Attorney Bergerson stated that this agreement represents the best they can do. He indicated that the acquisition phase of property is coming to an end with the acquisition and title to the property to the east and south of Blocksom – the Commission will control almost all of that property as well as property between 5<sup>th</sup> and 6<sup>th</sup> Streets and Pine and Michigan Boulevard. With the purchase of three additional lots, the Commission can then move on towards the marketing phase and getting a master developer.

Mr. Cavolick made his presentation to the Commission. He stated that as an alternative to acquiring the Blocksom property by eminent domain the committee has negotiated an agreement with Blocksom. They will relocate their facility to within 15 miles of their present location, thus remaining a valued member of the Michigan City business community. The committee has operated as good stewards of the public's funds by conducting an exhaustive multi-year study of engineering and relocation costs, had responsible negotiations, and will reimburse Blocksom only for reasonable costs required by federal regulations. Those costs include the movement or replacement of major equipment at a cost of \$3.99 million; facility and utility costs at \$.55 million; engineering, technology and environmental costs at \$1.56 million; with a total cost not-to-exceed \$6.10 million.

Mr. Cavolick explained that the City will advance a loan to Blocksom in the amount of \$5 million for the purchase of a new facility. The loan will be secured by a mortgage on the existing property (Blocksom will still own the property). The terms are interest free for one year and the incentive for Blocksom to keep their costs down is that it will be interest free for one additional year for each \$300,000 of actual costs that are saved under the \$6.1 million. This is to be repaid upon the sale of Blocksom's current property.

Mr. Cavolick stated that the relocation process will take place within three years. The Blocksom property will be maintained in an attractive condition. The property will be redeveloped consistent with the City's vision for the future.

Based on Mr. Cavolick's experience in this field of relocating facilities, Attorney Bergerson asked how he sees the Board's position (consistent, fair, reasonable) regarding payment of relocation expenses as opposed to going through an adversarial litigious path. He asked if Mr. Cavolick looked at the numbers in terms of their equipment, the age of their equipment, and if it is necessary to purchase the new equipment.

Mr. Cavolick replied that their engineering studies indicate that it is necessary to purchase the new equipment. He pointed out that this is a heat sensitive and time sensitive process and several of those processes have to work together time wise and temperature wise. One of their requirements is that the system must be relocated, reconnected, and recalibrated to operate at the same tolerances within a two week period due to production schedules. It was the engineers' position that to relocate some of the equipment that has been in place for 50-70 years and make it work in the same fashion would cause a real problem.

With respect to the equipment itself, Attorney Bergerson asked Mr. Cavolick if he is satisfied that a lot of the equipment cannot be moved, relocated and reassembled without some type of exposure to legality issues for the Commission.

Mr. Cavolick replied affirmatively.

Attorney Bergerson asked Mr. Cavolick if it is his recommendation that the Commission execute this agreement.

Mr. Cavolick replied affirmatively.

Chairman Behrendt asked if there were any questions from the public.

Laurie Wink from the News Dispatch asked Mr. Cavolick if he has been involved in any consulting with regard to the new location of Blocksom.

Mr. Cavolick responded that he has not been asked and has not volunteered to assist Blocksom in any way with relocating themselves.

Ms. Wink asked the amount of time they have to relocate under the terms of the agreement.

Mr. Cavolick replied that they have agreed to move within three years.

Ron Miller asked if Blocksom will assume the obligation of taking care of any environmental issues on the site.

Attorney Bergerson stated that is correct, although Blocksom does not believe there are any environmental issues.

Mr. Miller noted from the agreement that Blocksom has three years to move then it is anticipated that within 60 days the buildings will be taken down.

Attorney Bergerson indicated that is correct. He stated that the Commission would like the site cleared as quickly as possible for visual attraction by a developer.

Attorney Bergerson stated it is important to note in the agreement that this is contingent upon Blocksom getting the maximum tax abatement and enterprise zone credits they can either from the City or County to stay within the 15 mile area. Blocksom has an out if they cannot get those credits and the Commission has an out if Blocksom decides to relocate somewhere outside of LaPorte County. The Commission is also giving up their right to utilize any powers under eminent domain statutes to force them to move for a period of 10 years.

Mr. Miller asked if Blocksom is in the R-46 area.

Attorney Bergerson replied that they are located outside the R-46 area.

Councilman McKee asked when the phase I, and if necessary, phase II environmental study done. He noted in the agreement there is a statement that says "we continue to advance loans", and with that he is concerned our money will keep flowing out even if they run into a problem.

Mr. Behrendt responded that the agreement reads the phase I or phase II environmental will have to be completed before any funds are advanced and a remediation plan needs to be in place if there are environmental issues.

Chairman Behrendt commented that this acquisition process started five years ago when he got onto the Commission. He said it has been quite an ordeal considering where it started and it appeared there would be no way the meeting of the minds could take place with eminent domain being the only option. Mr. Behrendt stated that eminent domain was something they did not want to pursue because it would take years to rectify and cost millions of dollars. Instead they came up with a structure that worked for both parties. Mr. Behrendt pointed out that the \$6 million in relocation expenses seems like a lot, but that is what would have been paid out for eminent domain in addition to compensating them for the value of the land. He noted that the Michigan City Economic Development Corp. did an economic impact analysis of Blocksom's presence in town. The direct impact turned out to be \$6,062,187 and \$2,301,000 of indirect impact. On an annual basis, Blocksom has an economic impact in Michigan

City of \$8,363,000. Mr. Behrendt indicated that by structuring an agreement keeping them within 15 miles of their present site, within one year the economic impact is above what the relocation costs will be. Mr. Behrendt stated that the \$6 million is a lot of money but if they left town it would be significantly higher. He said that after years of negotiations, both parties are satisfied with this agreement and it will prove to be a good relationship going forward.

Mr. Bigda gave credit to Mr. Behrendt for coming up with this idea when they were at a standstill.

Attorney Bergerson commended representatives of Blocksom for being willing to consider other options and meeting at the negotiating table in a spirit of willingness and cooperation and trying to find a meeting of the minds to get this done. He said their efforts are appreciated. Attorney Bergerson stated it is his recommendation that the Commission sign the agreement which is before them so it can be forwarded onto Blocksom for their signature.

***A motion was made by Mr. Bigda to approve the agreement with Blocksom to relocate. The motion was seconded by Ms. Kaser, with the vote as follows: (AYES): Ken Behrendt, Ed Bigda, Lynn Kaser, Neil Kienitz (NAYS): None***

***With a vote of 4 ayes and 0 nays, the motion was unanimously APPROVED.***

#### **REQUEST BY RICHARD MURPHY FOR STUDY OF NORTH FRANKLIN**

Councilman Murphy came forward to address the Commission. He commended the Commission for their hard work on getting the Blocksom agreement on the table and looks forward to the process moving forward.

Councilman Murphy stated that he was present as the City Council liaison to the Commission to formally request the Redevelopment Commission and the City Council work together to begin a process of amending the existing 1970 Beachway Plan for the Franklin Square to Washington Park corridor. In a joint workshop session between the City Council and Redevelopment Commission on June 22<sup>nd</sup>, the Council communicated its position to the Commission regarding this corridor.

Councilman Murphy continued that the summary of their position indicates the Council supports the reinventing of the corridor from Franklin Square to Washington Park, including the concept of reopening Franklin Street to Lake Michigan. The vision puts forth the concept of an accessible beautified mixed-use corridor free of buildings and barriers in the Franklin Street right-of-way in this corridor from the downtown to Lake Michigan.

Councilman Murphy stated it has been pointed out time after time by urban planners and consultants and in the North End plans that have been put forth that there is tremendous opportunity to reinvent the lakefront corridor between Franklin Square and Lake Michigan and be able to leverage and enjoy this valuable corridor to the fullest which will dramatically change Michigan City for the positive.

Councilman Murphy advised that the goal is to update the current Beachway Plan with a new reinvented plan that from an access and land use perspective puts downtown Michigan City back on Lake Michigan. It begins to rebuild the powerful lakefront brand that Michigan City once was. The purpose of this vision is to collectively put forth a higher concept that we can take steps toward; the goal ultimately is a concept of connectivity from the old downtown across Route 12 to the gateway of Washington Park with land use that fully leverages Michigan City as a great place to live, work, and visit.

Mr. Kienitz commented that he visited South Haven, Michigan who has a similar situation with the connection between the main street and the lakefront. He said that whole area is thriving with hundreds of people downtown and thousands on the beach on a weekday. Mr. Kienitz stated that needs to be Michigan City's goal. Without opening Franklin Street to the lakefront, he believes Franklin Street will never develop to its potential. He fully supports opening Franklin Street to the lakefront.

Chairman Behrendt asked for a legal opinion on renewing the Beachway Plan.

Attorney Bergerson responded that the procedure requires the Redevelopment Commission to do a study and come up with a plan for redevelopment different than what is in place. If it is approved by the Commission it would then go onto the Plan Commission; if approved by Plan Commission it would then go onto the City Council, and back to the Commission for a confirmatory resolution.

Councilman Murphy suggested that Lohan Anderson and Hunden Partners might be valuable resources at the workshop and might be a possibility of working with towards the end of updating the Beachway Plan.

Councilman McKee indicated that it is critical to have a working dialogue and would make sense for all to be on the same page by the time it gets to the Council. It is his intent to appoint himself, Richard Murphy, and Pat Boy who is liaison to the Plan Commission.

With respect to Mr. Kienitz' comments, Councilman McKee stated that in his mind this really is not meant to be a debate on whether or not to open Franklin Street, even though he believes it would be a positive move somewhere down the road. He said this has to do with the whole North End area and there is a need to go back and amend the plan as a lot has changed since 1970.

Chairman Behrendt advised that a workshop will be scheduled and the Council will be notified.

### **APPROVAL OF PURCHASE AGREEMENT FOR 408, 410, AND 412 E 6<sup>TH</sup> STREET**

Attorney Bergerson reported that based on the appraisals, he went back to Mr. and Mrs. Ellis, owners of property at 408, 410, and 412 E Sixth Street, and indicated to them that the Commission could not purchase those properties at the assessed valuation but the Commission had indicated their willingness to purchase the properties at the appraised value. Mr. and Mrs. Ellis indicated that they would be willing to sell the three homes for the appraised value of \$139,000 plus relocation expenses in the amount of \$11,000. It was Attorney Bergerson's recommendation that the Commission purchase the properties at a total cost of \$150,000.

The Chair entertained a motion.

***A motion was made by Mr. Bigda to approve the purchase of the three properties at a cost of \$139,000 plus \$11,000 relocation expenses for a total of \$150,000. The motion was seconded by Mr. Kienitz, with the vote as follows: (AYES): Ken Behrendt, Ed Bigda, Lynn Kaser, Neil Kienitz (NAYS): None***

***With a vote of 4 ayes and 0 nays, the motion was unanimously APPROVED.***

### **REPORT BY LEGAL COUNSEL**

Attorney Bergerson reported that the effort to acquire property owned by the News Dispatch is presently before the Council. He anticipates favorable action. Attorney Bergerson stated that there were questions about the language in the resolution, but he thinks that has been cleared up.

With respect to the Sobkowiak/Weber trial, Attorney Bergerson stated that the jury found for the property owners an award for Sobkowiak's in the amount of \$844,520 and \$291,740 for the Weber's. He indicated that the award is appealable by the Commission within the next 30 days, otherwise the award will stand. In testimony at the trial, Mr. Sobkowiak requested \$1.25 million for the property and Mrs. Weber requested \$700,000 for theirs; from that point of view they were not awarded damages as they requested. In the opinion of the experts for the Commission they were awarded more money than they should have been. Attorney Bergerson said he would continue to evaluate whether or not an appeal would be successful and what the cost would be to undertake that appeal.

Attorney Bergerson certified that an Executive Session was held prior to this meeting and discussion was limited to the items on the agenda; no votes were taken and there was no discussion of any other item.

**REPORT BY DIRECTOR**

Mr. Pugh reported on the status of the proposed ice cream parlor on the North End and that the sales office has been removed, the dirt pile has been removed, the grass has been cut, and a flagpole has been installed. Across the street on Mr. Conner's property next to Matey's, the lot has been mowed. Mr. Pugh thanked Mr. Ziola and Mr. Conner for their cooperation in making the sites look more presentable.

With regard to America in Bloom, Mr. Pugh reported that there was a two day visit with the judges. He believes the judges were impressed. Mr. Pugh thanked all the department heads, the volunteers, and the people that aren't recognized who got out and picked up trash and cut the grass and weeds. It is his opinion that the city looked good. Mr. Pugh stated that there was a lot of pride which is something we want to instill, not just for the judges visit or an event, but as a process all year long. The judges will release their written report and results in October at their annual convention. The convention will take place from October 1 – 3 in Hershey, Pennsylvania. Again, Mr. Pugh thanked all who participated.

Attorney Bergerson commented that the planters on Franklin Street finally look good.

Mr. Bigda also commented that they look good.

**PUBLIC COMMENTS**

None

**NEXT MEETING DATE**

The next regular meeting will be on Monday, August 17, 2009.

The workshop will be coordinated.

**ADJOURNMENT**

The Chair entertained a motion to adjourn.

A motion to adjourn was made by Mr. Bigda – seconded by Ms. Kaser and unanimously approved.

The Chair declared the meeting adjourned at 6:00 p.m.

/s/ Lynne Kaser, Secretary