CITY of NOVI CITY COUNCIL



Agenda Item C January 25, 2010

SUBJECT: Approval of Agreement regarding Woodlands Ordinance/Tree Replacement Financial Guarantee for SP-98-62b Regency Centre.

CITY MANAGER APPROVAL

BACKGROUND INFORMATION:

City Council is being asked to consider a request from Regency Vacant Land, LLC and Fifth Third Bank to approve an Agreement regarding the Woodlands Ordinance and Tree Replacement Guarantee for the Regency Centre site, SP98-62b. The development originally encompassed (7) parcels, (2) of which were later combined, approved as a site condominium for light industrial uses, on approximately 30 acres located west of Haggerty Road, south of the I-96 freeway. Four buildings on three parcels have been developed, leaving three undeveloped sites. Roads and utilities are in. The project was begun before the adoption of Chapter 26.5 of the City Code.

Under the Woodland Permit for the project as approved, 669 replacement trees were required—220 to be placed on the individual sites as they develop, with the remainder to be distributed throughout the development. As permitted by ordinance and the permit, the developer removed trees from the site and posted a financial guarantee for replacement of 669 trees in the amount of \$217,425.00 as a letter of credit. Only 42 trees have been placed on site so far, and because not all of the replacement trees have been planted within the time set forth in the woodland ordinance and permit, the City is permitted to declare a "default" and place the performance guarantee amount in the City's tree fund.

The Bank, which owns the financial guarantee at this point, in fact proposed to allow the City to simply take the guarantee and place it in the tree fund. However, when the project was approved, there were substantial representations to adjacent property owners that trees would be replaced on site. Once the funds are placed into the tree fund, they cannot be used to plant trees on private property. The new owner of the remaining sites, Regency Vacant Land, LLC (Arie Liebowitz), would also like to have as many trees planted on-site—but has no approved development plans as yet.

Therefore, in an effort to facilitate the planting of as many woodland replacement trees on the property as is possible, but within a reasonable amount of time, and also to facilitate transfer of the vacant portions of the project to Regency Vacant Land, LLC, the City is recommending an agreement that will (1) replace the existing letter of credit with a guarantee posted by the new developer and (2) require some trees to be planted now in areas not likely to be disturbed with later development, and (3) give five years for the planting of the remainder, at the end of which time what's left of the guarantee goes to the tree fund. More specifically, proposed language specifies that:

- The Developer will post a financial guarantee of \$217,425.00 to replace the existing letter of credit, less any credits for trees planted.
- The Developer will plant, by October 2010, a mutually agreed upon (with the City) number of woodland replacement trees throughout the site at mutually agreed upon locations.

- The Developer will plant additional replacement trees as the remaining sites are developed, but at the end of five years any remaining Woodland Guarantee funds will be transferred to the City tree fund and the Developer released from the obligation to plan further Woodland replacement trees .
- After the five year point, the developer would be relieved of his obligation to plant woodland replacement trees, but still be required to install all other trees and plant materials specified in on the original site plan as the Site is developed.

The City Staff believes that this is a reasonable approach that (1) gets some trees planted as contemplated on the site plan; and (2) ends the City's oversight at the expiration of a reasonable period of time.

RECOMMENDED ACTION: Approval of an Agreement regarding Woodlands Ordinance/Tree Replacement Financial Guarantee for SP-98-62b Regency Centre.

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Mayor Landry				-
Mayor Pro Tem Gatt				
Council Member Crawford				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Staudt				

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AGREEMENT REGARDING WOODLANDS ORDINANCE/ TREE REPLACEMENT FINANCIAL GUARANTEE

REGENCY CENTRE

This agreement is between the City of Novi ("City"), whose address is 45175 W. Ten Mile Road, Novi, Michigan 48375; Regency Vacant Land, LLC ("Developer"), whose address is 29548 Southfield Road, Suite 200, Southfield, Michigan 48076; and Fifth Third Bank, a National Bank ("Bank"), whose address is 5050 Kingsley Drive, Cincinnati, Ohio 45263.

RECITALS:

- A. Regency Centre is a light industrial development located west of Haggerty Road, north of Grand River Road, south of the I-96 freeway. The Centre received special land use approval, woodlands approval, and wetlands approval on or about June 16, 1999. The Centre is identified as City of Novi Site Plan No. SP98-62b, and was established as a site condominium development pursuant to the Master Deed for Regency Centre, recorded at Liber 23384, Page 048, Oakland County Records, Oakland County Condominium Subdivision Plan No. 1360. The Centre development includes approximately 30 acres and up to seven development parcels.
- B. Under the woodlands permit, Cavalito, L.L.C., ("Cavalito") the original developer of the Centre, removed trees from the site, and posted its financial guarantee secured by a letter of credit for replacement of 669 trees in the amount of \$217,425.00 issued by Bank ("Bank's Letter of Credit"). Although Bank is not liable to City or any third party under Cavalito's or Developer's guarantee, Bank is obligated to honor any draws by City under Bank's Letter of Credit per Section 1 of this Agreement. Under the permit, 220 trees are to be placed on site as each of the units is developed, and another 449 trees are to be placed throughout the overall site. A copy of the permit is attached as Exhibit A hereto.
- C. Not all of the replacement trees have been planted within the time set forth in the woodlands ordinance and/or the permit, so the permit is in default, and under the terms of the ordinance and/or permit, the City is permitted to declare a default under Cavalito's guarantee and to immediately draw upon Bank's Letter of Credit and deposit the drawn funds into the City's tree fund. The parties have agreed that, even though the City has the ability to declare a default under Cavalito's guarantee and draw upon Bank's Letter of Credit for deposit of funds into the City's tree fund, it is appropriate to undertake efforts to secure the planting of as many trees on the property by Developer as is possible, within a reasonable amount of time.
- D. Developer has recently acquired the remaining undeveloped units from Cavalito. The Bank, however, still has issued and outstanding the \$217,425 Bank's Letter of Credit that was posted by Cavalito for tree replacement under the woodlands permit. The current expiration date of the Bank's letter of Credit is November 1, 2010.

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- E. The parties have agreed that it is appropriate for the Bank to cancel or terminate the existing Bank's Letter of Credit and that Developer will then post the amount of \$217,425, less any credits for trees planted to date, in a form of guarantee acceptable to the City.
- F. Developer and the City agree that Developer will plant, in 2010, a mutually agreed-upon number of woodland replacement trees throughout the site, in mutually agreeable locations throughout the site, and that the financial guarantee will be reduced accordingly. Developer will plant additional woodland replacement trees as the remaining sites develop, but at the end of five years from the date of this Agreement, any funds not credited to Developer for the planting of trees will be transferred to the City's tree fund, and Developer's obligation to plant further replacement trees under the woodland permit shall cease.

NOW, THEREFORE, IN CONSIDERATION of the foregoing, the parties agree as follows:

1. The current financial guarantee of Cavalito for woodlands replacement and Bank's Letter of Credit No. S301064, attached hereto as Exhibit B, shall be canceled or terminated by the City and Bank if, and only to the extent that, except, as to Bank's Letter of Credit, as provided otherwise in this Agreement, Developer provides the City, in a form acceptable to the City, a replacement financial guarantee in the amount of \$217,425 for the planting of woodland trees, less a credit for any trees planted to date, before or concurrent with the cancellation/termination of the Bank's existing Letter of Credit. Developer agrees to post and provide this replacement financial guarantee by February 15, 2010.

The Bank and City agree that the Letter of Credit will remain in full force and effect until the earlier of its expiration date in accordance with its terms or the date Developer has posted the replacement guarantee. Bank's only obligation to City is to honor any draws made by the City under Bank's Letter of Credit. The Bank has no obligation or duty to the City, Developer or any third party to plant replacement trees or to make improvements to the project. Developer acknowledges that Bank has no duty or obligation to Developer concerning the project or otherwise. Any breach or default of this Agreement by either Developer or City, or both, shall not subject Bank to any liability for any damages or claims by either Developer or City, or both. If for any reason Developer does not timely post the replacement guaranty the Bank's only obligation to City shall be to honor any draws made by the City under and in accordance with and subject to the terms and conditions of the Bank's Letter of Credit. Bank acknowledges that the failure of Developer to timely post the replacement financial guarantee by February 15, 2010 shall constitute a basis to draw upon the Bank's Letter of Credit. Nothing in this Agreement extends, modifies, amends or alters Bank's liability to City under Bank's Letter of Credit. Upon execution of this Agreement, City and Developer fully release and agree to hold Bank harmless from any and all liability, claims, damages, or actions concerning the project and property or otherwise, except City reserves its rights against Bank under the terms and conditions of Bank's Letter of Credit, including the right to draw upon the Letter of Credit if the replacement financial guarantee is not timely posted by Developer.

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- 2. Upon posting of the replacement guarantee by Developer, the Bank's obligations on the existing Bank's Letter of Credit will be fully and completely released by the City (without any draw by the City thereon).
- 3. Developer shall have and retain any and all obligations for tree replacements under the woodlands permit, Exhibit A, except that Developer shall be credited for any replacement of trees. As soon as practicable, Developer and the City shall meet and agree upon a number, size, type, and location of replacement trees to be planted generally in the areas of the site depicted by cross-hatching in the attached Exhibit C. Developer shall plant those trees in accordance with the woodlands permit and ordinance regulations by October 1, 2010. Upon planting of such trees, the financial guarantee shall be reduced accordingly, consistent with the requirements and procedures set forth in the woodlands ordinance. If trees are planted before Developer provides its guarantee, Bank's Letter of Credit shall be reduced by such amount.
- 4. With regard to the remaining woodlands replacement trees not planted pursuant to ¶3 above, Developer shall plant such trees as other units on the site are developed, and as approved by the City. Upon planting of such trees, the financial guarantee and outstanding letter of credit (whether of Bank or Developer) shall be reduced accordingly, consistent with the requirements and procedures set forth in the woodlands ordinance.
- 5. At the expiration of five (5) years from the date hereof, if all required trees have not been planted, and Developer's financial guarantee remains, it shall be transferred to the City's tree fund. Upon receipt of such funds the City shall have no specific obligations with regard to the planting of replacement trees on the property or elsewhere. The funds shall not be encumbered by the prior woodland permit approval, and the City may make appropriate use of the funds in its discretion. Upon payment of the remaining financial guarantee to the City's tree fund, Developer will have no obligation to plant any additional woodland replacement trees and shall be deemed to have fully satisfied the terms and requirements of the woodland permit, Exhibit A.
- 6. Developer hereby warrants that it is the owner of Regency Centre described above, and that it has the full authority to execute this Agreement.
- 7. Each covenant, requirement, obligation and provision contained herein shall be considered to be an independent and separate covenant and agreement, and, in the event one or more of the covenants, requirements, obligations or provisions shall for any reason be held to be invalid or unenforceable by a court of competent jurisdiction, all remaining covenants, requirements, obligations and provisions shall nevertheless remain in full force and effect.
- 8. Bank, Developer, and City agree that this Agreement and its terms, conditions, and requirements are lawful and consistent with the intent and provisions of local ordinances, state and federal law, and the Constitutions of Michigan and the United States of America.

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- 9. This Agreement shall be interpreted and construed in accordance with Michigan law, and shall be subject to enforcement only in Michigan courts.
- 10. As used in this Agreement, the term "Developer" shall mean and include the undersigned party designated herein as developer and owner of the Property, as well as all future and successor persons and entities that become owners and developers of all or any portion of the Development property in the future until such time as all phases of the Development have been completed and approved.
- 11. This Agreement is deemed effective as of the date first written above.

FIFTH THIRD BANK, an Ohio banking corporation, successor by merger with Fifth Third Bank, a Michigan banking corporation ("BANK")

By:

Michael J. Wentrack Its: Vice President

REGENCY VACANT L IC a Michigan 🤇

By: ARIE LEIBOVITZ

Its: Manager/Member

CITY OF NOVI

By:

David B. Landry Its: Mayor

By:

Maryanne E. Cornelius Its: Clerk

EXHIBIT A

WOODLANDS PERMIT



45175 West Ten Mile Road Novi, Michigan 48375

Site: REGENCY INDUSTRIAL CENTRE

Date of Issue: March 8, 2000

Permit Number: WP-00-9862

Under the provisions of Chapter 37, City of Novi Woodlands Protection Code (Sections 37-26 and 30(e)(3)), approval is hereby granted to the Woodlands Protection Application and plan SP #00-986 filed with this office for the following:

Owner:	Lorenzo Cavalier
Street address:	21611 E. Eleven Mile Road
City and State:	St. Clair Shores, Michigan 48081
Phone Number(s):	(810) 756-0550
Project Location:	Section 24, West of Haggery Road between Grand River and I-96

Sidwell Number:#50-22-24-276-002,005,010Project Description:INDUSTRIAL-SUBDIVISION

Conditions:

- 1. This permit expires if work is not commenced within 6 months of issuance, or if not completed within 12 months of issuance.
- 2. The grantee of this permit is required to have this permit displayed on site during the tree removal and replacement process through at least 10 days after completion.
- 3. Petitioner has paid a Woodlands Replacement Financial Guarantee in the amount of \$217,425.00, for the replanting of 669 trees (220 trees on site as units are developed plus 449 trees to be placed on overall site). A Fence Maintenance Performance Financial Guarantee has been paid in the amount of \$5,000.00. A Woodlands Inspection Fee of \$12,454.00 has been paid. A 15% Administration Fee of \$1,868.10 has been paid.

Upon failure of the permit grantee to comply with any condition of this permit within the time specified, the Woodlands Performance Financial Guarantee shall be deemed forfeited to the City of Novi and shall be utilized by the City of Novi to complete any construction, grading, plantings, or other operation necessary to ensure compliance with the conditions of this permit.

Page 2 Woodlands Permit / Regency Industrial Centre March 8, 2000

- 4. Replacement tree species, location, and installation time are to be approved by our office and planted per City of Novi detail. When planting within wetland areas, plantings need to be approved by our office *prior* to installation.
- 5. Protective Fencing is to be orange snow fencing with 5 foot "T" poles spaced 5 feet apart, unless sturdier fencing is required. Stakes with ribbons are to be placed between fencing on north property line.

Protective measures which are knocked down for any reason will be required to be re-installed immediately. If the permit holder or his/her representative does not respond within 24 hours of notification by the City, the Department of Public Works will install protective fencing at their overtime rates, plus a 10% administrative fee being assessed which will be deducted from the Fence Maintenance Performance Financial Guarantee per expense of the permit holder (Sec. 37-9(a)).

- 6. Preservation signage needs to be erected and approved by the City.
- 7. Preservation easement has been provided.

This Woodlands Permit gives the grantee permission to begin clearing trees scheduled to be removed once protective fencing is inspected and approved by our office.

Petitioner should note that:

Any person violating any provisions of Chapter 37, City of Novi Woodlands Protection Code, will be guilty of a misdemeanor (Section 35-5.(a)).

Restitution for illegally removed or damaged trees shall be: 1) payment to the City per International Society of Arboriculture Shade Tree Value Formula, 2) replacement trees planted on site per inch-for-inch ratio, or 3) other method by the City to estimate tree loss (Section 37-5.(b)).

The City has authority to enter the property to inspect or enforce the requirements of this permit (Section 37-7).

Construction in the Woodlands areas must be completed within 12 months, unless extended by the City's Woodlands Consultant.

APPROVED BY:

Linda C. Lemke, City Woodlands Consultant

CAVALIERA LORENZO

cc: D. Bluhm B. Brock C. Pargoff D. Saven D. Thor D. Watson FIFTH THIRD BANK

LETTER OF CREDIT NO. S301064

PAGE

AMENDMENT NUMBER: 003

DATE OF AMENDMENT: SEPTEMBER 18, 2008

ISSUING BANK: FIFTH THIRD BANK, (EASTERN MICHIGAN)

APPLICANT: CAVALITO, L.L.C. 27087 GRATIOT AVE. ROSEVILLE, MI 48066

BENEFICIARY: THE CITY OF NOVI 45175 W. TEN MILE ROAD NOVI, MI 48375-3024

RE: OUR IRREVOCABLE LETTER OF CREDIT NO. S301064 ISSUED ON DECEMBER 23, 2003 IN FAVOR OF THE CITY OF NOVI FOR THE ACCOUNT OF CAVALITO, L.L.C.

PLEASE AMEND THE ABOVE AS FOLLOWS:

WE HEREBY RESCIND OUR NOTICE OF NON-RENEWAL DATED AUGUST 27, 2008.

EXPIRATION DATE IS NOW AMENDED TO READ NOVEMBER 01, 2009.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

REGARDS,

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LETTER OF CREDIT NO. MIS301064

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TREASURER 1 CITY OF NOVI

ISSUING BANK: FIFTH THIRD BANK, (EASTERN MICHIGAN)

BENEFICIARY: THE CITY OF NOVI 45175 W. TEN MILE ROAD NOVI, MI 48375

APPLICANT: CAVALITO, L.L.C. 27087 GRATIOT AVE. ROSEVILLE, MI 48066

LETTER OF CREDIT NO: MIS301064 ISSUE DATE: DECEMBER 23, 2003 EXPIRATION DATE: NOVEMBER 01, 2004 EXPIRATION PLACE: AT OUR COUNTERS AMOUNT: 217,425.00 USD TWO HUNDRED SEVENTEEN THOUSAND FOUR HUNDRED TWENTY FIVE 00/100

WE HEREBY ISSUE IN YOUR FAVOR THIS IRREVOCABLE STANDBY LETTER OF CREDIT WHICH IS AVAILABLE BY PRESENTATION OF YOUR DRAFT(S) AT SIGHT DRAWN ON FIFTH THIRD BANK, (EASTERN MICHIGAN) ACCOMPANIED BY THE FOLLOWING DOCUMENTS AND THIS ORIGINAL LETTER OF CREDIT.

BENEFICIARY'S SIGNED AND DATED STATEMENT CERTIFYING THAT: "CAVALITO, L.L.C. IS IN DEFAULT OF PERFORMANCE FOR COMPLETION OF TREE REPLACEMENT REGARDING PERMIT NO. WPP-00-9862 WHICH INCLUDES SITEWORK, WOODLANDS, WETLANDS, STREET TREES, AND SOIL EROSION ETC. ON A PROJECT KNOWN AS REGENCY INDUSTRIAL."

PARTIAL DRAWINGS ARE ALLOWED. MULTIPLE DRAWINGS ARE ALLOWED.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE RENEWED WITHOUT AMENDMENT FOR A PERIOD OF 1 YEAR(S) UNLESS WE NOTIFY YOU BY CERTIFIED MAIL OR COURIER AT LEAST 60 DAYS PRIOR TO THE EXPIRATION DATE THAT WE INTEND NOT TO RENEW THIS LETTER OF CREDIT.

THE BANK SHALL NOT BE CALLED UPON TO DETERMINE QUESTIONS OF FACT OR LAW AT ISSUE BETWEEN THE BANK'S CUSTOMER AND THE BENEFICIARY



LETTER OF CREDIT NO. MIS301064

PAGE 2

OF THIS LETTER OF CREDIT.

ALL BANKING CHARGES OUTSIDE OF THE ISSUING BANK ARE FOR THE ACCOUNT OF THE BENEFICIARY.

DRAFT MUST BEAR THE CLAUSE: "DRAWN UNDER LETTER OF CREDIT NUMBER MIS301064 OF FIFTH THIRD BANK, (EASTERN MICHIGAN), DATED DECEMBER 23, 2003".

THIS ORIGINAL LETTER OF CREDIT, ALONG WITH ANY SUBSEQUENT AMENDMENTS, MUST BE SUBMITTED TO THE BANK FOR OUR ENDORSEMENT OF ANY PAYMENTS EFFECTED BY US AND/OR FOR CANCELLATION.

WE ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT WILL BE HONORED IF NEGOTIATED OR PRESENTED DURING BUSINESS HOURS ON OR BEFORE THE EXPIRATION DATE AT:

FIFTH THIRD BANK INTERNATIONAL TRADE SERVICES 1850 EAST PARIS S.E., MD ROPS81 GRAND RAPIDS, MI 49546 800-662-3914



THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500.

THORIZED SIGNATURE

AUTHORIZED SIGNATURE



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replacement trose not replaced as part of these plane. Upon future development ndividual units, those trees designated as replacement trees (excluding d plensings) shall be deducted from lits posind amount. The latter of crodit a reviewed periodically, according to the City of Nevi. If, at the compilation writ, all the replacement trees are not planted on-site, the remainder of the abali be deposited into the City Tree Fund.