

# Builder gambles on auction

## \$15M in Cherry Hill Village homes for sale

BY JENNETTE SMITH  
CRAIN'S DETROIT BUSINESS

More than \$15 million worth of homes and condominiums at Cherry Hill Village are on the auction block.

Ivanhoe-Huntley Cos., one of several builders at the traditional neighborhood project in Canton Township, plans to sell 13 homes and 37 condominiums built speculatively in an auction Saturday. Other home-builders say this is the first time a local builder has chosen an auction to sell so much inventory.

Listed prices range from \$250,000 and up for the condominiums to \$322,500 to \$779,000 for the homes. The homes and condominiums are either under construction or have been built since 2004 and are part of 130 residences that West Bloom-

field Township-based Ivanhoe-Huntley has built in Cherry Hill Village since 2001.

Rather than marketing the unsold homes for another two or three years using traditional methods, the company is trying an auction using Jupiter, Fla.-based firm Christenson-Elms, said Kris Gosselin, vice president at Ivanhoe-Huntley.

"A lot of builders end up losing profits at the end of a community," said Gosselin. "What we want to do is close out in that location. The auction is a sales tool."

Gosselin said that with the rising popularity of eBay and with other builders elsewhere in the country using auctions to sell unsold inventory, the company thought the method was worth a try.

"I think residential construction is just kind of

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### ON THE BLOCK

13 homes and 37 condominiums built by Ivanhoe-Huntley at Cherry Hill Village, Saturday, March 12.

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# Meemic to build new HQ in A. Hills

## Opdyke Road site would house 300 workers

BY ANDREW DIETDERICH  
CRAIN'S DETROIT BUSINESS

As it prepares to expand into other states, Meemic Insurance Co. plans to build a 104,000-square-foot headquarters in Auburn Hills for up to 300 employees.

Meemic received site-plan approval for the building, estimated to cost at least \$15.6 million, from the Auburn Hills City Council on Feb. 28.

Plans call for a two-story building with enough room for up to 300 employees on the 11.5 acre site. The building will be at 1685 N. Opdyke Road, less than three miles from its current leased offices at 691 N. Squirrel Road. Construction is expected to



Kalinowski began this spring and be completed by July 2006. Lack of space in its current offices and expected growth were the reasons Meemic needed new offices. "We simply out-

grew our current office space," said Lynn Kalinowski, president and CEO of Meemic. "The new headquarters will have room for growth and by staying in Auburn Hills, we can retain our current employees."

Southfield-based Neumann/Smith & Associates is the architect. Troy-based

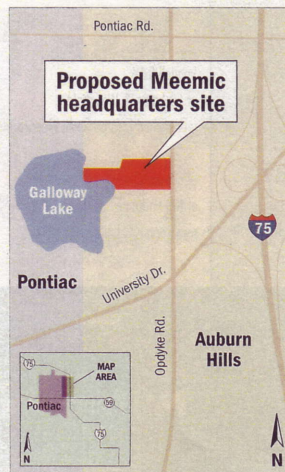
Kirco Development Corp. is the builder. Southfield-based Signature Associates-Oncor International brokered the deal.

Customized, built-to-suit buildings of this quality start at \$150 a square foot and up, said John Gordy, senior vice president at Signature. That would put a value on the 104,000-square-foot building of at least \$15.6 million.

"The fact that Meemic is going from tenant status to ownership further cements their relationship with the city," said Scott Randall, Auburn Hills city manager. "We're very excited about the location on Opdyke, too."

Randall said city officials are con-

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# Got cool?

## Crain's looking for employers with environments that keep workers

Crain's Detroit Business is adding a new twist to its biennial search for the best workplaces in Southeast Michigan.

Crain's has joined Southfield-based American Society of Employers and the state of Michigan to launch a statewide hunt for employers that have created work environments that attract and retain quality workers, especially younger workers. The competition is dubbed "Cool Places to Work."

"Michigan may be shedding jobs now, but a shortage of workers is looming, the demographers tell us," Crain's Associate Publisher Mary Kramer said. "If Michigan wants to be on the

radar as a great place to work and build a career, it makes sense to celebrate the companies and organizations that attract talented people who in turn make productive employees."

The state of Michigan's Department of Labor and Economic Growth and first gentleman Dan Mulhern are supporting the recognition program as part of Gov. Granholm's "Cool Cities" agenda. Mulhern announced the kickoff of the program in Lansing today.

Winning companies will be recognized in the Aug. 29 issue of Crain's; the state will participate in a formal recognition event in September.

Mulhern "adopted" the project after serving as keynote speaker for Crain's "Best Places to Work" recognition breakfast in 2003. Coaching organizations to be more effective was part of

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# Meemic: A. Hills headquarters would house 300

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sidering studying Opdyke Road between South Boulevard and Lapeer Road to determine current and future zoning and use because there currently is what he calls a "hodge-podge" of development.

"This is a significant new investment and hopefully one of the first for the corridor," Randall said.

Meemic is short for **Michigan Educational Employees Mutual Insurance Co.** It was founded in 1950 and provides personal auto, homeowners, boat and umbrella coverage to teachers and other educational employees through its wholly owned subsidiary **Meemic Insurance Co.**

Meemic is a wholly owned subsidiary of Birmingham, Ala.-based **ProAssurance Corp.** (NYSE: PRA).

ProAssurance bought Meemic,

*"We do see the future of Meemic as being more than just Michigan."*

Frank O'Neil, ProAssurance

which had been a publicly traded company, for \$29 a share in 2003.

Meemic is the only source of revenue for ProAssurance's personal lines segment of business, according to a ProAssurance quarterly report filed Nov. 5 with the **U.S. Securities and Exchange Commission.**

For the first nine months of the year ending Sept. 30, Meemic post-

ed net income of \$31 million on revenue of \$145.6 million. That compares with net income of \$23 million on revenue of \$139.2 million for the same period in the previous year. Net income figures don't include taxes.

In a November conference call, Frank O'Neil, senior vice president of corporate communications and investor relations at ProAssurance, said Meemic continues to grow at a rate of "high single-digit, low double-digit growth, year-over-year, on a very, very consistent basis."

He also said Meemic seeks to grow outside of Michigan.

"We do see the future of Meemic as being more than just Michigan," O'Neil said. "We've identified Wisconsin as the first state, and we're

in the process of licensing folks and doing the work that needs to be done to put policies out there."

Growth will be slow, however, because Meemic's distribution system relies on teachers and other educators to sell on a peer-relationship basis, he said. Many start selling on a part-time basis and eventually become full-time agents, O'Neil said.

"We don't want to just go into a new state and become the fourth or fifth auto carrier in somebody's independent-agency book," O'Neil said. "So this will in the long-run, we think, produce the best results for Meemic. It's also the slowest growth so we're trading off some growth for long-term profitability."

Andrew Dietderich: (313) 446-0315, [adietderich@crain.com](mailto:adietderich@crain.com)

## Cherry Hill: Builder tries auction to sell homes

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catching up on this sales trend," she said.

Cherry Hill Village is a \$320 million project that is planned to ultimately include more than 2,000 homes. Six builders are active in the project and at least 350 homes have been built so far, according to Canton Township.

Canton Township community planner Jeff Goulet said Ivanhoe-Huntley may have been too aggressive with speculative building and pricing on the condominiums.

Goulet said he has not heard of any other Cherry Hill builders considering auctions.

Gosselin said that one challenge to building in Cherry Hill Village is that traditional neighborhood design, with many Victorian-style homes on smaller lots, appeals to only about 30 percent of potential home buyers.

Ivanhoe-Huntley also built condominiums in a four-unit attached design, leading to a patchwork of sales in which one or two units of a condominium would be sold but the others would have to be built on speculation.

Other builders in the development said the auction is a nontraditional marketing tactic to watch.

"It's a way to bring inventory down," said Dominic J. Mocerri, partner at Auburn Hills-based **Mocerri Cos.** "I hope it works out, and we're excited for the traffic."

Mocerri reported brisk sales at Cherry Hill, including the recent sale of 24 homes in just over a week. Mocerri and Sterling Heights-based **Palazzolo Bros.** are partners at Cherry Hill.

"We have a different product, too. We have two units side by side and then homes," said partner Sam Palazzolo. "I watch with anticipation to see how (Ivanhoe-Huntley) does. If they do well, it's a positive."

Gosselin said the company is offering pre-

sales to buyers in advance of the auction and may sell about half of the units in advance based on inquiries so far.

Ivanhoe-Huntley also plans to do more building at Cherry Hill. Next time, it will plan a slightly different product mix of town homes and two-unit condominium buildings, Gosselin said. The site Ivanhoe purchased from the company that spearheaded Cherry Hill, developer **Biltmore Properties Corp.**, could accommodate up to 500 units, Gosselin said.

David Stollman, vice president for Troy-based Biltmore, was unavailable for comment last week. A spokeswoman for Biltmore, Tina Bassett, president of Detroit-based **Bassett & Bassett Inc.**, said the auction is a marketing tool that has been working well in other developments across the country and that Cherry Hill has been a success.

Jennette Smith: (313) 446-0414, [jhsmith@crain.com](mailto:jhsmith@crain.com)



Mocerri

## Cool: Crain's looks for great workplaces

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his consulting work before his wife was elected governor.

In his role as first gentleman, he has been an advocate for improving productivity and morale among government employees.

"We already have some great workplaces in Michigan," he said. "Five companies recently made the list of *Fortune* magazine's 'best companies' to work for. That's terrific, but we know there are many more out there," Mulhern said. "By identifying and recognizing these employers and illustrating what they do to create a great work environment, we hope to inspire more companies to become great, cool workplaces."

*Crain's*, the state and ASE will promote the competition to business groups and orga-

nizations. ASE is a nonprofit membership organization specializing in human resources. "We're delighted that ASE, which is a leader in collecting data on thousands of workplaces, has joined us to document the stars among Michigan employers," Kramer said.

Anyone may nominate a company or nonprofit organization for the competition. Online nomination forms can be found at [www.craindetroit.com](http://www.craindetroit.com), under the "Spotlight" headline at the bottom of the home page. The deadline for nominations is April 29.

Nominated companies will be asked to complete a formal survey created by the American Society of Employers by May 31. There's a \$100 entry fee to handle costs of tabulating the survey.

## Worry: Suppliers fear fallout

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"You keep hearing, 'It'll take weak guys under,' but it will also take some strong guys under," Fitzgerald said. "That is a consequence that hasn't been talked about. These are hard times."

"Now, \$2 million might not sound like a lot, but they're struggling to make their own payments and now there's \$2 million not coming in."

One Tower creditor who asked not to be named said he's worried about more bankruptcies.

"The shame of it is I think this is only one of many to come," he said. "Everybody in this industry is so related in that we do business together."

While he said the Tower bankruptcy isn't going to put him out of business, it reduced the value of the company quickly.

"We're pretty strong, but it's going to hurt us," he said. "When you take a hit like that, it takes a chunk out of your equity."

Suppliers owed money from a customer in Chapter 11 also will find it harder to borrow money, said Chuck Moore, director at Southfield-based **Conway MacKenzie & Dunleavy P.C.**, a

turnaround firm.

That's because banks use a formula for revolving credit lines based on receivables and inventory. If a supplier to a bankrupt company has a \$3 million claim in that case, then that's \$3 million that can't be borrowed against.

"That's often one of the quickest reasons lower-tier suppliers are thrown into financial distress," he said.

One thing a supplier can do is get on the bankrupt company's "critical vendors" list. If approved by the bankruptcy court, this allows companies like Tower to pay debts accrued before the bankruptcy filing. That's something otherwise forbidden in a Chapter 11.

One supplier on Tower's critical-vendor list said it's helped immensely.

"In our situation, we're expecting it to come out fairly well," said the executive, who also didn't want to be named.

The problem is that courts are making it harder to become a critical vendor in light of a successful court challenge to **Kmart Corp.**'s critical-vendor list in 2002 of 2,330 vendors.

Terry Kosdrosky: (313) 446-1626, [tkosdrosky@crain.com](mailto:tkosdrosky@crain.com)

## Crain's Detroit Business

[www.craindetroit.com](http://www.craindetroit.com)

**PUBLISHER** Keith E. Crain

**ASSOCIATE PUBLISHER/EDITOR** Mary Kramer, (313) 446-0399 or [mkrainer@crain.com](mailto:mkrainer@crain.com)

**EXECUTIVE EDITOR** Cindy Goodaker, (313) 446-0460 or [cgoodaker@crain.com](mailto:cgoodaker@crain.com)

**MANAGING EDITOR** David Barkholz, (313) 446-0402 or [dbarkholz@crain.com](mailto:dbarkholz@crain.com)

**WEB GENERAL MANAGER** Bob Allen, (313) 446-0403 or [ballen@crain.com](mailto:ballen@crain.com)

**ASSISTANT MANAGING EDITOR** Michael Lee, (313) 446-0416 or [mlee@crain.com](mailto:mlee@crain.com)

**SPECIAL SECTIONS EDITOR** Shawn Selby, (313) 446-1654 or [sselby@crain.com](mailto:sselby@crain.com)

**GRAPHICS EDITOR** Nancy Clark, (313) 446-1608 or [nclark@crain.com](mailto:nclark@crain.com)

**COPY EDITOR** Vic Doucette, (313) 446-0410 or [vdoucette@crain.com](mailto:vdoucette@crain.com)

**DATA EDITOR** Anne Marks, (313) 446-0418 or [amarks@crain.com](mailto:amarks@crain.com)

**WEB COORDINATOR** Joe Novak, (313) 446-0473 or [jnovak@crain.com](mailto:jnovak@crain.com)

**EDITORIAL SUPPORT** Anita Howard, (313) 446-0329; Joanne Scharich, (313) 446-0419

**NEWSROOM** (313) 446-0419, FAX (313) 446-1687; TYPING (313) 446-6766

**REPORTERS**

**Robert Ankeny:** Covers the city of Detroit, Wayne County government and economic development, law. (313) 446-0404 or [rankeney@crain.com](mailto:rankeney@crain.com)

**Sheri Begis:** Covers nonprofits and education. (313) 446-1694 or [sbegis@crain.com](mailto:sbegis@crain.com)

**Andrew Dietderich:** Covers technology, biotech, Oakland County and labor. (313) 446-0315 or [adietderich@crain.com](mailto:adietderich@crain.com)

**Anjali Fluker:** Covers Macomb and Oakland counties and the environment. (313) 446-6796 or [afluker@crain.com](mailto:afluker@crain.com)

**Sheena Harrison:** Covers small business, Washtenaw and Livingston counties. (313) 446-0325 or [sharrison@crain.com](mailto:sharrison@crain.com)

**Terry Kosdrosky:** Covers auto suppliers, steel and Downriver. (313) 446-1626 or [tkosdrosky@crain.com](mailto:tkosdrosky@crain.com)

**Michelle Martinez:** Covers nonautomotive manufacturing, transportation and international business. (313) 446-1622 or [mmartinez@crain.com](mailto:mmartinez@crain.com)

**Katie Merz:** Covers finance and health care. (313) 446-0337 or [kmerz@crain.com](mailto:kmerz@crain.com)

**Jennette Smith:** Covers real estate, media, hospitality, advertising and marketing. (313) 446-0414 or [jhsmith@crain.com](mailto:jhsmith@crain.com)

**Brent Snavely:** Covers retail, the food industry and services. (313) 446-0405 or [bsnavely@crain.com](mailto:bsnavely@crain.com)

**LANSING BUREAU**

**Amy Lane:** Covers business issues at the Capitol, telecommunications and utilities. (517) 371-5355, FAX (517) 371-2492, [alane@crain.com](mailto:alane@crain.com), or 115 W. Allegan, Suite 220, Lansing 48933.

**ADVERTISING**

**ADVERTISING DIRECTOR** Marla Downs

**SALES INQUIRIES:** (313) 446-6052; FAX (313) 393-0997

**ADVERTISING SALES** Jeff Anderson, Terri Engstrom, Matthew J. Langan, Shawn McCracken, Tamara Rokowski, Dale Smolinski, Sandra Stalmack

**WESTERN ACCOUNTS** Ellen Mazen (Los Angeles) (323) 370-2477

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**EDITORIAL & BUSINESS OFFICES:** 1155 Gratiot Ave., Detroit MI 48207-2732; (313) 446-6000

Cable address: TWX 248-221-5122 AUTNEW DET

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