A regular meeting of the Leelanau County Land Bank Authority (LC-LBA) was held on Tuesday April 19, 2016 at 9:00 am at the Leelanau County Government Center

Call to Order:
Meeting was called to order at 9:00 am by Chairman Gallagher who led the Pledge of Allegiance.

ROLL CALL
Members Present: J. Gallagher, T. Galla, K. Zemaitis, C. Janik, B. Welch, P. Rentenbach, M. Walter

Public Present: Ty Wessell, Bob MacEachran, Jen Zywicki, Jeff Hawkins, Dan Wells, Bart Ford, Kathy Egan, Melissa Witkowski, Frank Goodroe, Eric Winkelman

APPROVAL OF AGENDA
Gallagher asked to add conference call with Higgenbotham Auctioneers under Discussion/Action items.

It was moved by Zemaitis, seconded by Walter to accept the agenda as modified. Motion carried 7-0.

APPROVAL OF MINUTES: March 15, 2016
Approval of March minutes will be added to the agenda for the next meeting.

PUBLIC COMMENT
Dan Wells, from AKT Peerless, introduced himself and said he took the place of Janet Michaluk who is now working with MDEQ. He lives in Grand Rapids, excited to work up here in this community.

UNFINISHED BUSINESS
1. Acceptance/Approval of Chair to present Suttons Pointe properties to BOC for transfer.

Gallagher stated he was seeking approval to present the properties of Suttons Pointe to transfer. He had printouts of the 2015 foreclosed properties and handed them out and named the roads they were on and said they were foreclosed on. Gallagher said these parcels are pursuant to Resolution 2013-010 to present to the Board of Commissioners for transfer. In addition to that, need to have Board's consent and the interest to acquire these properties, open discussion at this point to get a motion to proceed.

Janik asked Gallagher if in the past it went to Board first and then here, or vice versa, Janik couldn't remember. Gallagher replied the Leelanau Land Bank Authority would have the Chair present these to the Board of Commissioners for approval and then deeds would be recorded and transfer of title to the Land Bank Authority.

Rentenbach said so we have not seen this before the County Board and Gallagher agreed, not before the Board of Commissioners.

Rentenbach thought it had to go to the Board of Commissioners first before we take any action on it. Walter said no, we have to give a list of parcels to Board first that we have interest on, and Board decides whether they want to proceed with selling them themselves or going through those steps, or put it in our control to do that. Gallagher said if the Land Bank has no interest in acquiring these, it is a moot point.

Janik read from the policy: "On or before July 1 of each year, the County Treasurer shall prepare a list of tax foreclosed properties suitable for acquisition by the Land Bank, and submit that list to the Land Bank and the County Board of Commissioners. The Land Bank shall make a list from among those tax

foreclosed properties listed by the County Treasurer and the County Board of Commissioners". Janik (paraphrasing) - Land bank shall make a list from among those properties. Janik presumed it would be from this list, and members agreed. Janik continued stating then submit the list to County Treasurer and Board of Commissioners. So, as he reads this, you (Gallagher) submitted the list to us, we review that, and then we tell you and the Board which properties we are interested in. It says on July 1 or before.

Galla commented that her read of this and the way we did this in the past, is we really should have done this last year for the 2015 properties. This year, the 2016 properties are coming up, which is on the agenda. Gallagher agreed.

Galla said so the 2015's we should have looked at last year. Gallagher replied he believed we did but believe because we would have had to pay minimum bid on the parcels we elected to let them go through the auction for these particular parcels. To exercise 1st right of refusal, we would have had to have purchased, and County would have had to purchase for minimum bid. Galla agreed. So, Gallagher said, the Land Bank did not exercise 1st right of refusal, we allowed them to go through 1st auction, 2nd auction, otherwise we would have had to pay the $949,000 for the parcels which we did not have. So today, we have 2 items – 2016's and 2015's. We are going to do both. We are going to look at the 2016's and determine whether or not we are going to pursue looking into these further, but yes, we are going to look at the 2015's as now we have considered these have gone thru 1st, 2nd auction and determine now they have gone through foreclosure process and have no value, to be worthless through the foreclosure process and now we are going to be asking the Board of Commissioners to consider them to be transferred to the Land Bank Authority, if that is the Land Bank's wish.

Janik said so there are 2 years of parcels. Gallagher replied that is correct.

Rentenbach commented that right now we are just talking about the 2015 parcels. Gallagher replied yes. If the Land Bank Authority has interest for the 2015 parcels to be transferred, he is requesting just the authority and the intent to go before the Leelanau County Board of Commissioners to ask for that transfer.

Rentenbach asked Gallagher to review the timing on this. The forfeiture, I think is for 2014 and then the auction took place. Gallagher said the auction took place in 2015, around summer of 2015 was the 1st auction and last auction was October of 2015.

Galla asked if the properties were all bundled, and they were not separated. Is that correct? Gallagher replied he was pretty sure that he bundled the 26 or 24 condos and might have bundled the residential units across the street, he would have to double check to see. But yes, he did bundle them. Galla responded there was one that sold, - from the individually listed units? Gallagher replied, yes. But he tried to group them out.

Janik asked if he is looking at this correctly, there were 30 parcels, 29 not sold. Gallagher said that was correct. Janik stated the total value is $949,170.95 including the parcel that was sold, for taxes dues? Gallagher replied, yes. Janik asked if there was any reason for us not to accept these 29 parcels and Gallagher said no. Janik asked if there was contamination issues or environmental issues and Gallagher said no.

Galla asked Gallagher if there was any reason why they could not be listed first, as separate units, through him as Foreclosing Governmental Unit (FGU), before we consider taking them, to see if any other units sell. Is there a benefit to trying that option? Gallagher asked if that was before they transfer to Land Bank and Galla replied, yes. If one of them sold, perhaps others would sell, if they were all listed individually. Gallagher did not think there would be an issue with selling them, but however, because of how the PUD is set up on the two condo lots, you wouldn't be able to sell those individually. Janik asked to clarify if that was would or would NOT be able to sell individually and Gallagher replied 'would not'. Gallagher added you would just create more of a problem for potential developers and the taxing

jurisdiction because they are buying, essentially, 1/24 or 1/26 of a condo development. And that would only cloud the developer, or potential developer, in the future. He strongly advised against that.

Rentenbach asked if there was a PUD on the property and Gallagher replied, yes.

Janik asked if these were all vacant lots and Gallagher said, yes. Janik said these are not the townhouses or condos? Gallagher replied, no.

Zemaitis questioned what would the advantage be to a buyer to have these in the Land Bank, rather than just in the Treasurer's office, the county owning it? Gallagher responded the ability to capture tax increment financing. Gallagher said he does not have the marketing tools or the cash resources to reinvest into the property if we were to try and enhance the property by any means or to market the property by any means – he would have to go through the Board of Commissioners to get approval for said activities whereas the Land Bank Authority has an operating budget and Board that governs those activities and has an approved operating budget for that. He would be restricted on those activities. He is not set up to facilitate that. He can do that, but that's why we established the Land Bank.

Galla expressed her concern with this being the bottom number we are looking at, it is a huge amount of money and if we transfer to the Land Bank, what happens if we aren't able to sell these? It is going to sit out there, is an asset that we're not selling. In the past certainly we have moved properties into the Land Bank and resold them. We still have the Timberlee ones to get back on the market and get those sold. She said just looking at this bottom number is quite a concern for her. Gallagher responded, absolutely.

Janik remarked that Gallagher tried to sell these twice, through auctions and there were no buyers. Gallagher said that was correct. Janik said it is now up to the Land Bank, plus the County Board to make a decision. Either party can say yes or no. Gallagher stated that was correct. Janik questioned if the Board says no it stays in the Treasurer's name? Gallagher said that was correct. Janik commented that Gallagher could still sell these at any time and Gallagher plied that he can pursue reverting them back to the private sector. Janik asked if that would be in any way that Gallagher could and Gallagher said, yes. Janik continued and remarked, or, if it came to the Land Bank, then we as a board can sell them through any method. Gallagher answered, yes, and most likely there would be an intergovernmental agreement between the Board of Commissioners and the Land Bank Authority to promise to repay some established dollar amount for back taxes, you know, whatever that may be. However, because there is going to be a charge back Gallagher didn't see a need to establish that. If we establish a charge back for these funds, $949,000+, we go and assess that to all the local jurisdictions. Essentially, we have been made whole. So this land is then been made free and clear. We can transfer that then to the Land Bank with zero dollar amount assessed to it. And that way, the Land Bank has no liability to the County Board or to the Treasurer. Janik asked Galla if that answered her concern. Galla replied she had another question. If that were to occur and it transfers and there is zero liability for us, we get all the money when it sells? Gallagher answered, yes. Galla asked why the charge back was for the full amount then. Wouldn't we sell the properties first and charge back the difference? That's what was done with previous properties, the ones up on the hill that Mr. Kuras bought. Gallagher replied that was a different agreement. Galla commented she did not know if there was an agreement or not. It was done through the Treasurer's office. She knew, because the Treasurer at that time reported to the Land Bank that it sold for about ½ of what the taxes were due and Galla had asked what happens with the taxes and the former Treasurer said the difference was charged back to the units. Galla asked Gallagher is he was saying he was going to charge back all the $949,000+. Gallagher replied that will be established later this week or tonight yet. Galla asked if we are ahead of this and Gallagher said, yes. Galla asked if we are we putting the cart in front of the horse and maybe we should wait and see what happens before we decide if we want to make a motion to put these in the Land Bank. She asked Gallagher if there was a hurry to do it at this meeting. Gallagher responded, no, but he understands it was an item of discussion among the Board of Commissioners and this Board so he wanted an open discussion and air out any concerns that anyone would have. So, he just wanted to be up front with it and answer any questions that anybody has.

Janik wished to clarify, stating this was a very complicated issue and Gallagher replied that yes, it was. Janik said we have dealt with minor parcels in the past, we have not deal with anything this large. Gallagher agreed. Janik felt it is worth the dialogue. Here are $949,170.95 in outstanding taxes and fees and so forth. That amount has to be paid, the units of government received their money through the tax fund. Gallagher replied, yes. Janik stated that they have their money and Gallagher agreed. Janik asked if we were to sell these for ½ the amount, say $500,000, then is there a way to bill back for the difference for all those units of government? For the remainder portion of it. Someone has to pay all these taxes, right? Gallagher responded, yes. Ideally, if we were to restrain from doing the charge back immediately and sell the property within the next 30 days, for example, and we were able to sell them for $500,000 yes – we would do a charge back for the remaining balance - the $949,000 and charge back for the $449,000. Janik stated that is money the units of government have received. Gallagher said yes, and benefited from prior years. Janik stated they would be billed back and Gallagher stated that was correct. Janik said so at some point either with a new buyer or those units of governments will have to make up this $949,000+. Gallagher confirmed. Janik then asked what was the risk to the Land Bank? Gallagher said it is basically having to deal with facilitating. That being the agent for the county and the local units in this transaction, and handling the sale and transferring the funds and so on and so forth. Janik asked what the financial risk was to the County or the Land Bank. Gallagher said, nothing, they're just going to be the agent. Janik questioned - because the units of government had to at some point make the county whole. Gallagher agreed and said they are just going to hold the property. Janik asked what happens to property that does not sell. Gallagher responded that it stays in the Land Bank. Janik added that it is a liability. He thought that was what Galla was questioning. Janik corrected, saying it's not a liability but part of our assets. Gallagher agreed and commented that either way, the County is going to be made whole, either way through the charge back or through the sale of the property. Janik then asked the reason why Gallagher did not take this to the Land Bank or the Board last year. Was it because of the taxes? Gallagher said, yes, because as we are discussing this, you can't easily determine how to handle this. How do we put it on the books? Can we sell this property? If I do transfer the property, it becomes a voluntary transfer. By legal terms it's a voluntary transfer when it moves out of the Treasurer to the Land Bank and it's subject to association fees and dues and subject to village issues because when it is foreclosed upon, it's involuntary and the law looks upon it as exempt from taxes and fees. But once you move it from the Treasurer's office to the Land Bank it's a voluntary movement and then it opens it up against these fees. In addition to it, with this outstanding liability and the outstanding liability not knowing how to do these charge backs, or who is going to be assessed these charge backs or how to maintain this, wouldn't be prudent to just transfer these funds, transfer these properties, and record this without doing your due diligence.

Galla commented that it was asked earlier if there was any risk, but what she was hearing now is actually there is because if they are transferred we are going to be subject to association fees and dues from what you are saying, and village costs. Correct? Gallagher answered, yes but the question was specific to these back taxes. Galla answered okay, but if we do transfer them to the Land Bank is that what you are saying, that we will start getting these additional costs on top of this? Gallagher said, yes. Galla said so that doesn't seem to me to be a benefit to transfer at this time as it's in the Treasurer as Foreclosing Governmental Unit and there's not those charges being assessed or levied against the properties right now. Gallagher confirmed.

Janik asked if this was transferred to the Land Bank would we be responsible for those fees? Gallagher replied the homeowners association may assess and go back against the back dues and fees against those parcels. Janik questioned if it stays in your office that's not the case? Gallagher said they can not collect. Janik remarked we would be assessed for 29 condos and Gallagher said, legally they can. Janik asked how much that was. Gallagher said he did not know but assumed it was in arrears.

Walter stated the idea of the Land Bank is to take properties, put them back on the tax rolls, sell them, and do it with ease and transfer that and speed up that process. Gallagher agreed. Walter stated what we are talking about here is far more complicated than the house on the corner that we would put back on the tax rolls. Gallagher said yes, it was. Walter then asked if it wouldn't be more beneficial for the taxpayers as

a whole to have the County Board handle this? Hire a realtor or whatever to list the property and sell it? As long as they own it in perpetuity it is not subject to those fees so wouldn't it be more fiscally responsible to have the County Board take care of this through the Treasurer's office as opposed to the Land Bank? Gallagher thought this would be an item of discussion at tonight's (County Board) meeting and in addition to that once we establish how to proceed with the charge back. Janik stated this was not on the Board agenda for tonight and asked Gallagher if he was proposing a late agenda item. Gallagher said the discussion of the charge back is. Janik stated the discussion of the audit is, but not the condos and transfer of property. Gallagher agreed that no, it was not on the agenda, and noted the discussion of the charge back was. Janik asked if it would make sense that we find out what those associations fees are, before we make a decision. Gallagher replied, yes. Janik stated it could potentially be a very substantial amount of money and he certainly would not be comfortable until he knows what those fees are. Walter agreed. Gallagher agreed and said he could come back with that. Janik reiterated that it's very complex and Gallagher agreed. Janik stated it could be a huge issue of whether it's a thousand dollars or $20,000 or $200,000. 29 lots, if they are all assessed, that could be a pretty substantial amount of money.

Rentenbach commented the way it stands now with question mark of the homeowner association assessments, she would feel more comfortable not taking any action today. Gallagher agreed.

Walter noted we don't have a motion on the floor.

2016 Foreclosure Update

Gallagher stated we can move forward to the 2016 parcels. These are the 2nd handout, there is a list of 12 parcels much more reasonable, only $46,358.94 worth of back taxes. Gallagher noted he has not had the privilege of doing a site visit on these. Kristin Holappa (senior planner) has done aerials on these in the past. Galla added she was going to mention that because in the past we have had maps before us so we can look and see where they are at and if there is a structure on them or not, little more detail so we know what's on the property. Gallagher agreed. He said he knows a couple of these are larger parcels, and there is a 40 acre parcel and 2 with houses. One is on Madison Ave. in Suttons Bay, and that would be a rehab house. That's the last one on page three. He would consider bringing that before the Board of Commissioners for consideration. Walter noted it was west of the VI in Suttons Bay Village.

Janik asked if these went through the process and had no bidders and Gallagher responded, no. These have not gone through the process. These will be offered in June to the County and local units.

Rentenbach asked if this was just an update and will you go through that process. Has anything been scheduled for auctions. Gallagher said he is scheduling right now with Title Check and Grand Traverse County, but does not have dates set. Janik asked if they would be in the spring and Gallagher said no, July and 2nd one in the fall.

Zemaitis stated we are getting this list to look at potential properties that we might want to use our right of first refusal on. Gallagher confirmed the County would exercise their first rights.

Janik asked if next month, like in past years, Gallagher could prove more description and photos of these parcels and locations. It is hard to tell much by the list. Gallagher said he could.

Rentenbach asked if the last parcel listed is the only one that has a structure? Gallagher noted he just went through these quickly.

Galla said just from her perspective of addressing there shouldn't be numbers on these properties unless there are structures on them in our database system. So where she saw actual, physical numbers she wondered if there were actually structures there. Rentenbach pointed out on the first page the Mill Street address.

Janik said it is even more reason to bring back next month, with more information. Galla remarked that quite a few of them that have physical addresses. If they are vacant, we need to get them out of the system because we don't put addresses on vacant parcels. Gallagher said he had looked at GIS and couldn't determine.

DISCUSSION/ACTION ITEMS

1. Bart Ford - Remax

Gallagher-moving to discussion/action items. Gallagher welcomed Mr. Ford to the meeting and stated he was asked to come forward today to give more detail or in depth presentation on how he would propose a marketing of the Timberlee and potentially, the Bay View Suttons Pointe properties, depending on how we may proceed with those properties.

Ford stated he lives in the Meadows subdivision in Elmwood Township and felt it was an area that is comparable to what would be sold in the Timberlee area. He drove all the lots the other day, and looked at lots sold in Elmwood. $40,400 is average selling price of lots sold in last year. There is about a 3 year inventory on the market right now for sale. He discussed how long it might take to sell the properties and referenced homes sold in Elmwood that were built in 2010 or later. He felt these vacant lots in Timberlee were valuable, and also noted there was some interesting issues especially with the infrastructure that would need to be done for the roads. The question is 'who is the buyer'? It could be construction companies, custom home builders, etc. Homes being built between $230,000 and $300,000 are being successfully sold on the market. He noted his neighborhood (the Meadows) appears to be taking off and the lots are between $15,000 and $33,000. Ford then discussed the Suttons Bay properties and said it is a bit different and takes time to wrap your mind around it because it is air space and will require developers to be imaginative and still build units and sell for the cost that makes sense to them. That development is all over the board – some units for $150,000 in there now and some for over ½ million dollars. It is all over the board. He noted in 2012 there were 7 total sales within Suttons Bay with average selling price of $337,000.

It's really difficult for people to see airspace and have creativity but still have to work within restrictions to build what people want. Rentenbach questioned the term 'airspace'. Ford referred to the 2015 properties as airspace. Ford said he only had the 2015 properties, the Suttons Bay ones.

Janik referred back to Timberlee properties and noted there are 23 lots and asked Ford if he would propose selling the lots individually or as a bundle. Ford said if you have the time and patience, individually would probably be better. Janik asked how Ford would do it for us and he said he would list them individually, and as a bundle. He did not come up with a price for a bundle. There is a sign out there, probably from the previous owner, and he was trying for $15,000 each for Pine Knob parcels. Ford thought the parcels should be between $15,000 and $25,000 and that would be realistic. The parcels on High Meadows Dr. would be worth more. It might be worth it to get a bid for putting a road in.

Janik asked why we would try to sell for more than the $15,000 the previous owner tried to sell them for and did not get offer for less than $15,000. Ford said the marketing plan was an old beat up sign on the properties. They would get it online and get feedback. If the only way you are going to try and sell something is with a sign you see when you drive by, it is not a way to market it.

Janik questioned the special assessments and asked Gallagher for an update. Gallagher said water is nonexistent so all we have is the paving. The payoff on that is about $51,000 for all lots. Janik thanked Gallagher for doing that; it was an issue.

Walter asked about the road assessment for paving and who would do that. Janik said that has been done already. Janik added there is an annual snowplowing assessment, as well. Gallagher said yes, on pages 3 and 4, $165 total and $275 on pages 5 and 6.

Janik told Ford this was a chance to sell himself to us. What would you list those properties for and sell them for – be specific to those properties. Ford said 2 lots on Timberwoods sold for $59,900 and another sold for $69,000. He didn't think it was just going to be $19,900 for each parcel. The Timberwoods Dr. parcels are more valuable. He sold 12 of the lots in the Meadows where he lives.

Ford discussed selling of properties and at what cost. If you make the fees low, like 5%, it does not motivate the seller to try and sell the parcels. He suggested 8% commission fee. He did not want to be hired based on a percentage, but wanted to do it based on a good fit.

Rentenbach questioned the pricing and the mention of $19,900 to $59,000. Ford felt the Timberlee lots would sell around the $40,000 range. The Pine Knob lots, if you go and drive them, someone will have to do something with that road as it is off a 2 track. He was trying to think of who the buyer of those would be if they have to put in the road. If a developer buys all of them, not going to pay more than $20,000 a pop if they have to put the road in.

Ford stated you put them out there and see who offers for 1 lot and who offers for buying 5 or 10 lots and wants a discounted price.

Janik said if he was buying a lot, he would be concerned with no road access. Ford said there is a lot of interest in large homes, Elmwood doesn't have a lot of construction going on, because there are not a lot of choices.

Janik informed Ford he had about 2 months to think about this, so if he were to sell this as one large parcel, how much would he sell it for? Ford said he would bundle the 7 Timberwoods lots for $280,000 and 14 Pine Knob lots for $280,000. One on High Meadow would be worth $50,000. Ford thought about $610,000 for all of it. He didn't know who the buyer for all of that would be.

Zemaitis asked if they were to be parceled out as Ford mentioned, would the best lots be picked and then we would have a hard time selling the other lots? Or, if they start developing it would it help to sell the other ones? Ford said it depends on what the person would do. If they build a road, spec it out, if they have success they will keep going. If they have success with a few lots, they may buy it all.

Ford left copies of materials with Gallagher.

Short break in the meeting to set up conference call with Marty from Higgenbotham Auctioneers.

2. Marty Higgenbotham – Higgenbotham Auctioneers

Gallagher welcomed Marty Higgenbotham on the phone and requested information on the auctioneer package that was sent to us and asked for him to walk us through how he would handle the Timberlee properties, as well as the Suttons Bay properties.

Higgenbotham asked for thumb nail sketch of the properties, how big and how many lots they are, as right now he was in the dark. Gallagher provided brief information on the Timberlee properties, and then the Suttons Bay properties.

Higgenbotham asked about the condos and if they are condos with improvements. Gallagher said no, they are air condos.

Marty Higgenbotham started by saying the program is pretty simple. You go in and set up for 6 week period and the property is offered one of 3 ways: sell live onsite in live auction scenario, put it online, or put combination of both live & online. Once we see the property and evaluate the property and try to

determine what numbers are, we will make a recommendation of which way it should be done. It will probably need to be done live, that's a better approach. A lot has to do with the value of the property. Higgenbotham asked about the value and Gallagher said it was hard to determine – it could be $200,000 to $400,000 retail. Higgenbotham asked if that was for all the parcels and Gallagher confirmed. Higgenbotham said that was not a whole lot of money per property. He said he has been an auctioneer for 56 years and has a good handle on how to get the most money out of these parcels. If they use their marketing and do live sale, that gets the most money. He has done it time and time again and that would be his approach. He could sell them next week, but his recommendation is you give a 6 week time period to bring buyers to the table. Here's what you've got - about 2 weeks to get all materials together and promotion is then 30 days out and you push it hard from there. Usually can get some free advertising or front page advertising on public releases. If they can get those printed for free on the front of the paper, it is a whole lot better than putting ads in the back of the paper. He said they sell a lot of county and state owned property and can get some free advertising. Since it is county owned property, they will sell to the highest bidder and get it sold. They recommend it be sold to highest bidder and not be concerned about what it will bring because it will bring value every time. Not concerned about that.

Gallagher asked about the 10% buyer premium that is proposed. Higgenbotham confirmed. There is .5% to 2% of total sale for promotion and we would not be looking at more than $10,000 for promotion for this sale. They would put together a marketing package and that would be it, if it comes in at $8500 then that is what it is, but would not exceed $10,000.

Gallagher asked about time schedule and Higgenbotham said they could start tomorrow, give a 6 week period and they will make it happen. Gallagher asked if they ever do minimum bid? Higgenbotham said they do but when you sell for state, county, city – because it is public entity and tax payers money - he always recommends it be sold with no minimum and everyone has equal opportunity to buy it and no buyer can complain about what it brought or did not bring because everyone has equal opportunity. If you put a reserve on it, you are putting restrictions on the auction and you will not get 100% of buyers to the table, guarantee you. One of the 1st questions they get is 'Is it an absolute auction? If it is an absolute auction – you will get 100% of buyers there because they know it will sell that day and this is the only bite at the apple. If it is a reserve sale and you set a minimum, you get people who say, 'Well if it doesn't sell, give me a call'. This way, everyone knows it will get sold and will bring fair amount of money. In all fairness to everyone concerned, he felt absolute is the way to do it and get a fair sale.

Gallagher asked about how many auctions done in Michigan. Higgenbotham said they have not recently done counties in Michigan. They have done a lot for Walmart for about 17 years, in all 49 states. Not done anything large in Michigan. They have sales in 5 states right now. They will get the job done.

Members thanked Higgenbotham for the conference call and Gallagher stated he would be in touch.

Gallagher said at the May meeting, they can review possible realtor for selling the Timberlee properties.

Galla said before we go to the next agenda item, she wanted clarification on handout for the road assessment and snow plowing. Road assessment is quite big, over $57,000. Gallagher said the interest is not applicable. Galla asked if the list included any of the back taxes. Gallagher said the County owns $26,000 on its books. Galla noted so if we look at the entire package of trying to figure out what a minimum bid is we would be looking at that, the total package. Gallagher said the County holds about $26,000 in back taxes.

3. Bob MacEachran Bay View HOA (Homeowners Association)

A letter signed by Bob MacEachran, President of the HOA, was included in the packet, expressing interest on acquiring the foreclosed units in the development.

Bob MacEachran introduced himself and said he was here representing Bay View Homeowner's Association as its President, and been president for 2 years. Clarification on earlier discussion – at first auction of 24 air condos and units across the street, all units were bundled as single unit for back taxes. There was no way there was ever going to be a bid in that combination. He talked to Gallagher and when they had the 2nd auction, there are 5 side condo lots on the west side of M-22. 4 lots along M-22 and one lot between 2 existing houses. Those were split off from the others.

MacEachran stated the first auction was held in Traverse City, and a lot of local people were there, and a lot of single and multiple lots that were sold. The 2nd auction was held in Manistee at casino; he imagined there were not that many local contractors that appeared down there and there were no bids at either time. Those single lots are potentially buildable, they are close to the village, within walking distance, potentially advantageous and saleable. The disadvantage to the 4 lots is they are right along M-22 and busy intersection. This project, as you know from an awful lot of publicity, has been troubled almost from the very beginning. Once it came out of litigation and there was the settlement, the properties that were then released about 3 years ago, we bought one of the units. Went in that first morning and bought one of the units. At that time, there were 5 buildings, 6 condos in each of the buildings, the main units that are along the water. At that time only 15 of the 30 were owned. The others were all up for sale. There are 2 buildings along M-22, there are 4 commercial spaces on the bottom floor and in each of the 2 buildings there are 2 floors, 3 bedroom units. One of those sold at the 1st auction, online at the end of the auction. The guy that bought it bought it sight unseen, had not read restrictions, did not look at the condition of it and it was in pretty rough condition, and thought he could do short term rentals which you can not in that association. He now has that property. He came up and saw what needed to be done to it to put it into shape to even do 6 month rental, which is minimum time. He has put that back on the market. He is paying associations dues.

MacEachran continued, saying the condo association coming out of that settlement, had to do significant work which we have done over these past 3 years. We have sold every single one of the main units and sold one of the loft units which we just closed on a couple weeks ago. Really had to work on that because of reputation, had to work with lenders, real estate, and buyers. We've put that project on a very sound financial basis. We've added, with the sale of those properties, about $6 million to the local tax base. MacEachran felt they had a pretty strong track record. What we haven't been able to do is that this was an out of area developer, a developer firm that buys stressed situations such as this; tries to get as much of their money back as they can, they don't - don't put a whole lot of money into it, they don't pay taxes on there until they sell the unit, and they don't pay taxes until the day of the sale. There were 4 potential other buildings that contained 6 units each and these are what is being called the 'air condos'. We questioned and tried to get developer to do some challenging of the tax base because how do you tax something that doesn't exist? Usually, if you buy a lot and you are going to build a house on it, even if you have the plans to build that house you are not charged taxes until something starts going up and there is some value there. There is nothing there. There is no foundation, there is no slab. There was a huge tax bill that built up on something that didn't exist. The Association has not had control of anything there. What we did have control of were the units that were built and we were able to work with people and get them back into some kind of shape and on the tax rolls and expedited financial structure and so forth.

We couldn't bid on the properties at the tax sale because we don't have $900,000 to pay at that first tax sale and even at the 2nd tax sale where there was no minimum bid, the conditions were we had to post performance bid equal to the value of the project and would have had 3 year completion time frame and would have had to build buildings similar to what is existing there. Didn't make sense again for us to do that. Now, our request here is that we would love to get that back …can't call it parcels or properties because these are air condos. They aren't things that exist. The homeowner's association owns as common elements, the land around those potential condo pieces. Having lived now in those units and seeing what the capacity is now that you have all 30 of the main units sold, that is a lot of people that are there and a lot of pressure on existing property. So we have concerns that to add even 24 additional units there in a similar configuration to what we have now, needs to be rethought. So what we would like to do

is to get the properties back into our hands so we can work with a developer, because it is a Planned Unit Development (PUD), the homeowner association has to approve any changes, and actually because it is part of a multiple section PUD, we have to get the Kuras property and a couple others to approve the change, as you would have to if you were marketing and doing some things there to do that. MacEachran didn't think the Land Bank or the County needed to be in the middle of that. He thought the homeowners association would be very proactive in terms of our moving forward and putting together the plan that would ultimately get those properties in a development that would be back on the tax rolls and strengthen our base as well as the taxing base. We don't have monies, of course, to pay all those back taxes, but we are very willing and interested in working hard to move forward with that. So that's what our request is here. He was not sure, based on the earlier discussion, how to proceed with that. They are interested in getting that back, getting it back initially without a tax burden, even on the air condos until they can develop a plan to what those future buildings might look like and the use of that property would be. That's the reason he is here. That's their immediate request - to deal with that aspect of it. The properties across the street may be better to sit in a Land Bank, or I don't know if you can put them back into an auction and separate them out if that's enough of a change that you add them into your 2016 ones that you put up. You might be able to find developers that might look at picking those out, especially if you've already had a known minimum bid, so if you had them out there like that, you might get some sales that 2 homeowners either side of the 1 lot are close to making an offer to cut the lot that's in between the 2.

Rentenbach questioned the 2 lots MacEachran just mentioned, and said these are on west side of the street with houses already built and they want the lot in between? MacEachran said there's a single lot in between the 2 that the likelihood is they've kind of been mowing the lot and using the property. Rentenbach commented they were treating it as their own and MacEachran agreed. MacEachran said acquiring that and the undeveloped lots over there are reasonable as far as association dues. Rentenbach asked if those lots on that side of the street were also in the PUD as well as the air condos and MacEachran replied, yes. There are 10 lots over there, 3 undeveloped privately owned, 2 have houses, and 5 that are foreclosed.

Janik remarked to Gallagher that since these are in the Treasurer's hands and not the Land Bank you have authority to negotiate with the condo homeowner association. Gallagher said yes, he would have to bring before Board. Janik stated Gallagher could actually work with the association and come forward with a recommendation, since it's not in the Land Bank. Gallagher replied, yes. Janik asked Gallagher questions about the taxes and the pricing.

Galla remarked to MacEachran that she was curious about his mention of taxes earlier in his discussion and there was some movement to try and change those especially on those air condos. Did MacEachran know if anyone ever went to the Board of Review at the local level to try to reduce those amounts? MacEachran replied they could not as an association. They asked if they would be able to and were told they couldn't because they were not the owners. It would have been the developer that would have had to do that. They are based in California with a Michigan office, but no one ever followed through with doing anything. Walter commented it was their responsibility. MacEachran replied that you can't go back.

Walter said it's almost irresponsible for the community, the county, the taxing jurisdictions, to tax vacant pieces of property of uncompleted condo. Janik replied that window is closed, can't change that. Walter agreed. MacEachran added those taxes would have gone away relative to a buyer. Janik replied that those taxes have not gone away, that is the challenge. MacEachran responded that a buyer would have been responsible for those. Janik commented that he was talking in regard to the units of government being charged back.

Galla stated she mentioned this because she thought it was odd that they would allow those to go into tax foreclosure instead of trying to take it to Board of Review at some point and lower those and perhaps have kept them up to date. MacEachran said you would think so, but generally a company like that doesn't think that way. Janik added that once they lost interest in the property, they didn't care. MacEachran noted they were not going to put another penny into the property. They paid back taxes on

loft units and continued to try and sell which 2 of the 4 have sold. The price is quite low on the 2 remaining units. The last one just sold for $140,000. It's a long cry from that $300,000 they were looking at initially.
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Galla asked Gallagher, as owner of these properties, has he ever seen anything where a Treasurer has been allowed to go back to Board of Review and make an adjustment? Gallagher said he would have to do some research and see. This is kind of an odd situation. He would do some research to see if we can go back and reevaluate. It doesn't change outcome. Local units benefited from prior years so we still have to fix that.

Janik remarked that based on just the resale research, it doesn't appear those can be waived because the units of government have their tax dollars. Gallagher said that was correct. Janik said if we sold it for less, those units of government would have to be charged back. So, he didn't see there was a method of doing anything other than going out for sales. Gallagher said we can move forward and alleviate the burden of the potential new homes and make it sell.

Rentenbach said what's there is not going to go away but if it doesn't sell for a while, the future could possibly be doubtful.

MacEachran commented the sooner you get a plan put together and move forward, the sooner you start developing a tax base that can be utilized. Members agreed. MacEachran said keeping it as is, you are not likely to get a buyer that's going to do that. Anytime real estate people have come and brought people who would be interested and we talked to them regarding it, it was like there's no way they were going to get into that. They couldn't. As the guy talked earlier today, to build the units that are there you would have to sell around the $700,000 to $800,000 price per unit. Those type of units are not selling. They are not selling in Traverse City, they're not selling around here, and they didn't sell in this project. You're talking about units that need to be in the $400,000 or below category. Therefore, you need to design a building that's going to be able to be affordable at that level and also address issues such as the parking and some other things.

Janik agreed with what Gallagher brought up last fall, the biggest losers in all this will be the local units of government, especially the Suttons Bay School. So, if it sells less than the tax money, they are going to get charged back. There's no way anyone's going to pay $949,000 for this. Gallagher said no. Actually, it's worth a parking lot right now. Janik said if it is sold to the association for a reduced fraction, that's going to be huge tax bills, especially for Suttons Bay School so it's a no win situation. MacEachran said knowing with his school background and being and in formula district, the state would make up the operating cost. Gallagher commented - not the sinking fund. MacEachran agreed. The debt fund of the buildings that he constructed are now paid for and off the school books. They just took on some new debt moving forward.

Janik felt it was a no win situation. It was a shame the owners did not do anyting about this because now we are all paying for it.

Gallagher said we will be in constant communication as we move forward and as this develops. He thanked MacEachran for bringing this to our attention. Didn't felt there was any action this board could take at this time.

Rentenbach asked MacEachran if they worked with one realtor for units already sold through the HOA and he replied, no. MacEachran said they had Real Estate One, Coldwell Banker, Krause, Waters - so it was multiple listings.

Janik urged Gallagher and MacEachran to keep talking and see if they can come up with something whether to the Land Bank or the County. It seems like it is a reasonable request. MacEachran said we don't have a whole lot pf money but what we do have is energy and ideas and a willingness to move

forward with the project. Gallagher said they are the primary stakeholder and he thought that is what the primary consideration of both the Land Bank and Board of Commissioners should take into consider. Gallagher added he would be in constant communication moving forward as this develops, we will just continue talking.

Members thanked MacEachran for his time.

Claims & Accounts – none

Post Audit
Gallagher said he had nothing for C&A but did have 3 items for Post Audit. Two invoices for ads in the Record Eagle and the Enterprise and one invoice from Envirologic Technologies for a total of $437.75. The ads were for real estate agents and the Envirologic invoice was for the Timberlee properties.

It was moved by Zemaitis, seconded by Walter, to approve Post Audit as presented in the amount of $437.75.

Galla asked for correction as this is Post Audit so it is being accepted, not approved. It's already been paid. Zemaitis asked for it to be changed to 'accepted' in the motion. Gallagher thanked Galla for the catch.

Corrected motion:

It was moved by Zemaitis, seconded by Walter, to accept Post Audit as presented in the amount of $437.75. Motion carried 7-0.

Correspondence/communication

Janik asked if Timberlee would be on the agenda next month. Gallagher said yes, and he will bring back more information on Timberlee along with an update on both the Suttons Pointe, another foreclosure update, and charge back update, and anything else that comes up.

Public Comment – none
Member/Chairperson Comments - -none

Adjourn
It was moved by Walter, seconded by Janik to adjourn. Meeting adjourned at 10:42 am.

DRAFT