

# **SPECIAL LITTLEFIELD TOWNSHIP BOARD MEETING**

**September 17, 2019 TIME: 5:30 PM**

The principal purpose of the meeting is to review the costs surrounding the Hay Lake Marina development and anything else to come before the Township Board.

Meeting called to order by Damien Henning, Supervisor. Present: Dean Morford, Trustee, Kim Shomin Treasurer, Sondra Festerling, Clerk, and Katie Derrohn, Trustee. Guests: Kurt and Patty Hoffman.

D. Henning handed out the Hay Lake Marina- Project Cost Tracking sheet 07/17/19, the Hay Lake Marina Acquisition & Building Packet, and an unsigned copy of the document titled Further Agreement of the Parties from September 2016. K. Shomin had expressed concerns on how big the project has become. She feels the project has morphed in a direction she is no longer in favor of and wanted to have the Township Board get together at this meeting to go over the overall costs. D. Henning did state again that substantial completion will be met on October 31, 2019. The project won't be 100% done but it will be as far as we can go. Substantial completion means that the seawall has been put in, the ramp has been put in, the underground work is done, the floating dock is going to be put in-they are three weeks out from leveling the section of the dock that needed it, and Cedarville will be bringing down the docks when they get the go-a-head. It is felt that the docks will be in place so they can see how they respond over the winter.

K. Shomin asked if we know the assessed value because when the property was assessed everyone thought the quote came in too low at \$200,000.00. Then when the appraisal came in from the DNR approved appraiser, the assessed value was more than the appraisal value. K. Shomin said she called Jim LaPeer to find out what the appraised value was at the time of the sale that the township had on the tax roll. Kurt Hoffman replied that by his calculations it should have been closer to \$330,000.00 and he said Jim didn't argue that figure with him when he said it. A second appraisal would have been required by the DNR if the first appraisal value would have come in at \$500,000.00. With the value coming in so low, the Township started the talks of moving the pole barns off of Admirals Pointe and having them placed on 5 acres of township owned Powers Rd. property. This would have required a special use permit. D. Henning talked to Tammy at the County and she said there was no guarantee we would get a special use permit. We had the engineering done on the small portion of the Powers Rd. property, but we didn't count on the neighbors disputing the use of the property. The township then needed to sell the full 20 acres on Powers Rd in order to purchase the Keystone Park property for the buildings to be placed on allowing Kurt to still have storage. K. Derrohn stated that in Business dealings there is no guarantee it will work out exactly as you planned when there is this many moving parts. Things can change. K. Shomin commented that looking back we should have been more responsible with the township taxpayer's money and we should have mutually agreed on what they thought the price for that property (original plan using Powers Rd). Then the township should have paid that amount by either trade or in cash. K. Shomin stated that in looking back she now feels it was irresponsible of the township as stewards to do an open trade. K. Derrohn stated that there is no black or white when there is a project of this size and that she is not irresponsible. D. Henning stated that he doesn't believe we have been irresponsible in this and that we kept getting tossed curves and we kept reacting in the best way possible to the curve ball. K. Shomin stated that in looking back she has

learned from this and she now feels she made a big mistake and would never do an open trade with the township taxpayers' money again.

D. Henning stated that when it came time to move the buildings we found out through the engineers and building inspection department that only 1 of the 3 buildings will meet the current code. The building that could be moved was the one on the marina property and it has been moved to Keystone leaving the other two buildings. Item number one in the Further Agreement of the Parties says that we agreed to move the three buildings. D. Henning stated that he was largely still thinking about the two estimates that was received the previous year from Richie Construction and the J & R Building movers, and \$150,000.00 to move the buildings was do-able. By looking at the actual figures it ballooned from there (because of the curve ball) and it only got us the one building moved. K. Derrohn asked if the other two building are in a condition that they can't be moved. Kurt Hoffman responded that he doesn't believe that. He said he would have to find out for sure, but when they are put on the next piece of property, they would have to be brought up to code which would be his responsibility. Kurt stated that there is some degree of merit to Kim's comments, and that he didn't give us the amount that Richie's quoted knowing that it was going to end up three times as much on purpose. Things happened. It was stated when he originally wanted to sell the property, he wanted to move the buildings down further on the property and they would still own a section of the property down there. Through the negotiations the township wanted all the way to the seawall, which meant the township would be responsible for the seawall, both walkways, and moving the buildings. The appraisal process was discouraging. Kurt stated there was a discussion between Klaus at Gosling Czubak, Damien, and himself about having to get it in before April 1<sup>st</sup>, Klaus said there would be a second appraisal but when we got to the end there was no second appraisal and then the finding on the buildings happened about that time too. There were a few things that Kurt felt was not done responsibly by Klaus who represents the Township on this project. Some of the issues that have popped up in regards to the condo side, Kurt felt we were starting to have problems. The examples that was given was when it was mentioned the possibility of them having to pay for the dredging on the condo side, the dock way is being lifted and not a floating dock, the steel seawall was not put in where it was supposed to be put in, and the other dock was not being put in. Kurt said he felt that if all the stuff was done the way it said it was going to be done and we wouldn't be having this meeting because it would already have been negotiated out. K. Derrohn asked Kurt if the two remaining building stay where they are. Kurt reminded that it was a zoning issue that the buildings needed to be moved when one more residence was built. K. Shomin said that in the minutes it said that they might be able to make adjustments to that since the township is involved. D. Henning had talked about this to Tammy at the County, but there was no outcome at this time.

K. Shomin had two questions for Kurt and wanted clarification. She wanted to know what was meant when Kurt said it was too high of risk for the gas situation. The plans had the gas tank back by the old ramp and piped about 60-70ft. to the water. If the pipe leaks we would have a problem and you have to have a million in insurance if there are pipes in the ground. D. Henning stated that the township is not doing the underground piping like Kurt was talking about. We are going with a portable tank. K. Shomin stated that she is totally against having gas there. In the beginning she had an understanding that Kurt was going to have his own spot that would include a store and gas. She was comfortable with that but not with the Township having it. Kurt said that was a part of his original plan but the Township bought all the property and put in a building for a store but it would be ran under a lease agreement. D. Morford explained that the township bought all the property and said we would lease a spot for a concessions/gas dock because the Grant would have been denied if it was done like Kurt originally wanted. D. Henning also stated in order to get the whole property dredged through the grant we had to own everything. K. Shomin asked if there was gas there does it have to be manned? Both

Kurt and D. Henning said yes it does while gas is being pumped but it can have posted hours whether it was for 4 or 6 hours and it would be something that would be covered under the lease. It would not require the Township to pay for an employee it would be the lessee's employee. K. Shomin was concerned about all the other costs that would come with having gas like the regulations and insurance and we wouldn't make any money on it. Kurt replied that it was not true. The size and type of the tank would dictate if permits would be needed and the amount of insurance you need. He looked into this and found that a portable tank could be as low as \$20,000.00. A 1,000-gallon tank wouldn't require permits from the State as long as it is a certain type of tank.

K. Shomin went on to say she realizes that she knows we have to do the required amount of updates to get our Grant money back. She would like to find out exactly what it is the Township has to do to be considered being finished. Do no more or do no less, and she would like to see a business plan with real numbers from someone who has ran or owned a marina for a long period of time. Patty Hoffman stated that she knows what it is going to take to run since she has owned and ran a marina for 30 years. Kim would like to see no real overhead for the project and that since she is the treasurer, she is the only one that is allowed to take in receivables and do the banking. She stated that she would have to appoint people to collect money on her behalf and she is currently not going there with the way things are. She is very uncomfortable. Kim stated that she wants it on record that she wants information to be gathered on two different ways to operate this park. How much money would be estimated to come in and what the township's overhead is going to be. S. Festerling stated that some of the things Kim is asking about like a business plan for day to day operations would be more for the person who signs a lease agreement with the township to run a marina & gas dock. We would only be the owners of the property. Kim stated she would be fine with that because she wouldn't have anything to do with collecting the money from individuals, only the business person holding the lease. D. Henning stated that all of this has been previously discussed and that we are within a few weeks of being bonded. We did talk about all of this two budget meetings ago. He said we talked about the expenses on the acquisition of the property and the moving of the two buildings and that is when K. Shomin made the comment after adding all the items up and subtracting what the State of Michigan was contributing it made sense. D. Henning commented one of the reasons for having the gas is that there will be daily and seasonal slippage for the boats and there is no gas near here. You are not supposed to take a 5 gal can and fill your boat up at the dock. You either have to take your boat out of the water to fill up at a gas station or hope you have enough to make it to Crooked Lake or to Indian River. It will be a draw to pull people in to our marina.

D. Henning told K. Shomin that he really appreciated her concerns but this marina has been designed around a certain level of revenue that's going to be coming back. K. Shomin feels that we are more stretched out than she has ever seen while on the board, and she wants to go on record that she is not comfortable with our financial position right now. She is uncomfortable with pushing forward with the idea that we are going to make money when it is not a sure thing. She wants to go on record that she thinks it is foolish and dangerous to proceed in the direction we are going and that we should do something more minimal. We could always add more at a later time if people start to come and use it. D. Henning replied that all of the contracts have been signed with board approval on the project at every step. K. Shomin asked if we signed for doing the gas or could it be put back against the loan because if we don't have the gas then we don't have to have a person there and incur those costs. S. Festerling replied that it is all in the way the business plan is set, and we have always talked about having someone lease with us to run the business side of the marina. We would be a landlord on the property. We would not provide the workers to run the marina it would be who signs the lease with us for a pre-decided amount of money. K. Shomin then asked when we lease it, are we incurring any of the cost, and what happens if something happens out there. Do we have to have the insurance? Kurt

replied that there would be a certain amount of insurance the Township would have to carry on the property. However, his insurance would cover them for the liability in running the business based on the amount of business they do. Kurt also explained that they don't just collect the money for the slips, there is a contract that has to be signed. The contract that they use has been looked over by a lawyer so they are covered. It also involves the Clean Marina clauses. D. Morford explained we wouldn't be liable for something a vendor did. K. Derrohn replied that the Township wouldn't get into a contract that we weren't protected. Patty Hoffman stated that their condo docks are full already for next year and she has had enough interest from people to fill our docks. Everyone has been asking her about having gas. It is a big draw. D. Henning said he has received calls asking about the ramp, gas, and dock rental. D. Morford added that the tank will be on the property but it will really be up to the lessee as to how much they are willing to pay us to have it through the lease, and the same goes for them renting the slips on the township side. These are all things that is negotiated in drafting the lease agreement to run the operation.

K. Derrohn wanted to clarify her understanding on what triggers the moving of the two remaining buildings. Kurt Hoffman replied that if another house was to be built the building have to be moved. She then asked if it might be possible for the county to consider the fact that the building couldn't be moved right now but still be able to use them where they are. Kurt replied he was open to some suggestion, and that he went over numbers as to having to build a new building and he could loose \$100,000.00. Kurt stated that the buildings are going to be full this year. Kurt went on to say that there was no way he would have personally moved the buildings out to Keystone due to the water table problems. The cost to move the building wouldn't have been so much if it weren't for the drainage problem and having to establish a drainage pond. The pond is currently filling up with water from the surrounding properties. The foundation that was put in had to be modified due to the water. The property doesn't have a problem now when it is not raining, but once it does the problem will be back. If the two other building were to be moved on the property, they would be wet. Kurt said there is no way the pond will be able to hold as much water as this last year provided. The one part of the property is so low that it would have to be built up costing at least \$40,000.00 so the building could be placed there. K. Derrohn asked if those two building are worth moving. Kurt replied that it would be worth it for the Township to fulfill the contract of moving and placing concrete floors in. Kurt replied that he doesn't like the conditions that are there. K. Derrohn said that the township could move those buildings right now and the water issues would be his problem. Kurt said he could live with that because he would be able to bring them up to code. D. Henning asked if Kurt knows how much it would take to bring them up to code, and he said he doesn't because he would need to hire an engineer and is not willing to do that until we get to a mutual agreement on the buildings. K. Derrohn stated that that the township can not afford to move the two buildings for \$150,000 each. Patty Hoffman replied to make a monetary offer and Kurt agreed that they are looking for a settlement to solve this. D. Henning replied that he would rather find out what the costs would be for the concrete and to move the building before he would start to talk about a buyout cost of not moving the buildings.

D. Henning said that getting back to K. Shomin's questions, the Marina Project is moving along and is following along with the anticipated costs. The one thing that hasn't been tapped into is the construction contingency. We also haven't tapped into any type of a fuel system but we do still have the restroom building costs which is estimated and it has to go in for the Grant. The kayak launch has to go in and we already have a price on that. This project can't go up any more -it is what it is and we have approved the bond at 2.1 million two meetings ago. D. Henning did state that he is with K. Shomin in the respect that there cannot be any additional costs than what shows on the project cost tracking sheet. K. Shomin replied that she would like to see the costs going down and it be simple thing without a marina. D. Henning and D. Morford interjected that it is a Marina and that it has to be

one to receive the Grant money. K. Shomin again stated that she wants it to be simple without a marina and no gas. She would like to find out what we have to do to get a finished project that doesn't have to have someone there working and it doesn't have to have gas. She feels it would still make money and it would be less of a risk and way less money to put in. D. Henning stated he does not agree with her. K. Shomin knows other board members do not agree with her but again wanted to make sure it was put on record how she feels about it and it is the way she wants this to go. D. Morford stated that in reality the difference of what K. Shomin is suggesting and then having the gas etc. is all tied to the way a lease contract is designed. It has nothing to do with the purchase of the land or the improvements we have done to this point. We are not talking about a lot of money being invested in anything other than what would benefit the lease if we go that direction. He continued to say that she is right that if we don't do the lease, we might not incur some costs but most of the costs will still be there with no way to offset them without the lease. It was explained that the cost of expenses can be paid back by the cost of the lease to the lessee. It would be up to the lessee on how the business was run if they are to make any money. D. Morford explained that the project as it stands is minimal and where we need to be to get to what K. Shomin is talking about except for the gas. He also said that adding a lease after the project is complete is what would help the township to increase the amount of return on the project but it is a separate issue to the financing of the project itself. D. Henning stated that right now is when we are always at our lowest fund balances but the first quarter of 2020 we will be receiving more in from taxes.

K. Shomin asked if this project is set up in such a way that we do not have to make income from it for us to do well as a township or is it set up based upon us making income to do well. D. Henning replied that the economic element is part of the payback and we do need it. Kurt Hoffman said from a public standpoint, he doesn't know if he will make any money on this but the deal is that future generations will know how this got there and it will still be there 4,5 or 6 generations from now for them to enjoy easily. He continued by saying that what this Board has done is something good for the public, and will it put a strain on the township, maybe, but 100 years from now it will still be standing and enjoyed by all that come into the area. K. Shomin replied that she doesn't mind being strained but she is worried. Kurt pointed out that the best thing the County has ever done was purchase Camp Petosega and it is still being utilized and enjoyed by many. Kurt stated that the Township is not going to make money on this project but that is why the only people who could have done a project like this is the township. No private citizen would be able to make this as nice as it is going to be and still leave it for the public to enjoy. K. Derrohn made the comment that this board has always looked out for the betterment of the township and the residents that live here. The board has always been fiscally responsible and she has so much faith in Damien and what he has done for this township. D. Morford stated that as far as the finances go, he feels this is a temporary thing, and the bond money will be coming in. D. Henning asked Kurt & Patty what a slip would go for in a new marina. Patty stated she has sold their slips for \$1,500.00 and \$1,695.00 along the wall. The season is usually from May to October.

As the meeting started to wrap up, D. Henning stated to K. Shomin that just because we disagree doesn't mean we don't respect what she is saying, and as long as we walk out these doors as friends and neighbors then we are doing our job. D. Henning stated that he would like to get the board approval to look into the cost to move the building. K. Derrohn would also like to see us looking into the zoning on the property that the buildings currently sit on. D. Morford made the **Motion** to authorize D. Henning to obtain a cost estimate to move the remaining two buildings to Keystone Park with a cement floor, and for K. Derrohn to check with the Emmet County Planning and Zoning if they would allow the PUD to be modified on the property the buildings currently sit on in Admirals Pointe. Second by K. Derrohn, Carried 5 Yes, 0 No.

Once we obtain the above information we would come back to the table with Kurt and Patty Hoffman to come up with a mutually agreeable solution for the buildings.

S. Festerling reported that K. Shomin received a shut off notice from Consumers Energy on the blue house at Gazebo Park. None of the bills had been received at the Township's P.O Box. When Kim called Consumers Energy, she got me in on a three-way call. We found out that they had been sending the bills by email to K. Derrohn's personal Gmail account since we first purchased the house but she had never received them either. The bill has to be paid before our October meeting. I would like the boards approval to go ahead and pay the \$248.00 that is owed for the electric on the blue house located at 8875 Luce St., Oden from January 16, 2019 to September 2, 2019. D. Morford made the **Motion** to pay the bill for the electric on the blue house located at 8875 Luce St., Second by K. Derrohn, Carried 5 Yes, 0 No.

Meeting was adjourned at 7:30PM by D. Henning

Sondra Festerling