

Approved April 20 , 2007

THE INGHAM COUNTY LAND BANK FAST TRACK AUTHORITY

MONDAY, March 5, 2007

Minutes

Members Present: Rebecca Bahar-Cook (late), Dale Copedge , Debbie DeLeon (late), Curtis Hertel, Jr., Eric Schertzing.

Members Absent: none

Others Present: Timothy Perrone, Mary Ruttan, Dorothy Boone, James Linton, Noel LaPorte, Paul Vlahakis, Michael Brown, Carla, Edwards, Charley Guyselmann, Larry Fowler, Dan Doneth, Diane Wing, Nancy Hammond, David Krause.

The meeting was called to order by Chair Schertzing at 5:33 p.m. in the Personnel Conference Room of the Human Services Building, 5303 S. Cedar, Lansing.

Approval of Minutes

Minutes of the February 5, 2007 regular meeting taken up when full Board have an opportunity to review. Minutes were taken up for approval just before adjournment.

Additions to Agenda – None.

Subtraction to the Agenda – 4a no monthly report to hand out

Limited Public Comment – To be included at the time the of the action item. If anyone has public comment at the beginning of the meeting they are welcome to speak.

1. Property maintenance, renovation & development

a. Review of properties – hand out.

922 Pennsylvania, Lansing – Open house on February 27, 2007. A couple of interested buyers

323 Astor, Lansing – Close on acquisition 3/6/07

2826 Timber, Lansing Twp. –Moving forward with acquisition.

Penn & Porter, Lansing – First new build, Chair Schertzing will attend City of Lansing Variance hearing

149 Spartan, East Lansing – Parcel will be listed in the mid \$140,000's

1706 Elizabeth, Lansing – Closed last month

4327 S. Aurelius, Lansing – Structure is vacant. Will require a lot of interior demolition

Howe Street, Lansing – Lot for Habitat for Humanity.

1546 Cahill, East Lansing – Interior demolition will start next week

422 Adams, Lansing – Location for Lansing office.

3653 Williamston Road, Bunkerhill Twp. – Nothing new, still listed for sale
3411 E. Michigan, Lansing – Will include in a later presentation
4330 Keller, Delhi Twp – Land locked parcel, apartment surrounds what used to be a pool site with separate legal description, pool and building demolished, sold the parcel to the individuals that surrounded it, essentially for the taxes owed.

Mary Ruttan reported that she was contacted by the City of Lansing Housing Coalition and they are interested in purchasing four parcels: Olds Ave, Baker Street, Baker & Bailey & Baker & Isbell. They will be making an offer to purchase.

b. General legal review –

Perrone updated the Board on the Oaktree lawsuit against the Treasurer. They have appealed their denial in Circuit Court to the Court of Appeals.

All agenda items after 1c were taken up and handled prior to discussion of 1c. The discussions as captured in the minutes remain in agenda order.

c. 3411 E. Michigan presentations

David Krause introduces himself as a commercial and residential developer for many years and presented a redevelopment plan for the E. Michigan property. He and Van Martin own Frandor Plus and the property directly north of the E. Michigan property. They have previously been in discussions with the City of Lansing regarding the redevelopment of Michigan Avenue. He presented a site plan and proposal for the area. For the E. Michigan properties there will be a \$5,000,000 dollar value increase. Another \$10,000,000 value increase on the Frandor Plus site is in planned including condos to the north by Rainey Park. The plan for the E. Michigan site is a residential 70,000 sq.ft. street level apartment building approximately 56 units at 1200 sq ft each. Parking will be situated under the building with three stories above. Krause presented examples of his recently completed residential projects. Mr. Krause expressed his concerns and past issues with the limited parking at the Michigan Ave. property relative to its use as a bar. Liability issue is a big problem that has not been dealt with. Small site for a building as large as currently exist. Perrone asked about agreements on parking. None were ever arranged.

Bahar-Cook asked about relationship between 3411 E Michigan site and Frandor Plus. Do they both have to be done together. Krause answered no, but they can facilitate each other. Their property to north would be made more usable with greater area.

Noel LaPorte introduced himself as half of Authentic Properties with Paul Vlahakis. Mike Brown introduced himself as their attorney. They presented their plan for the E. Michigan property. Sales information they were provided by former owner indicated payments for some parking agreement with neighbors. Surprised by Krause information. They indicated the property had been listed for sale for some time. They had a signed purchase agreement with the previous owner when the property was foreclosed on April 1, 2006. This purchase agreement included the liquor license.

Some questions and discussion about timing of development of Krause plans for 3411 E Michigan. Ruttan, Schertzing and Trezise met with Martin & Krause some time after April 1st foreclosure.

Mr. Vlahakis stated they proceeded with their due diligence and had no idea the property was at risk of foreclosure. Their plan included upgrading the building, landscaping it and they were considering a Mexican restaurant added to the student bar. Currently there is no kitchen. Mr. LaPorte presented recently completed restaurant/bar projects in downtown East Lansing. Mr. LaPorte stated the property will be managed more effectively than the previous owner and in compliance with the city parking and zoning requirements. Based on their purchase agreement with the previous owner and the due diligence/architectural renderings/inspections cost they would like to negotiate a purchase agreement with the Land Bank prior to considering the residential redevelopment plan.

Hertel asked about cost they incurred in making offer on building. They invested approximately \$15,000 in their due diligence.

Bahar-Cook commented on less than favorable history of prior bar and asked what experience they have in managing parking and crowd issues. LaPorte said they understood the stringent requirements of business. They own two licenses and are getting ready to open one renovated business. Promised they would manage property much differently than prior owner. B-C asked about restaurant versus bar. Have to cater to 50,000 students across street.

Wing asked about mix of bar and restaurant and which would predominate. LaPorte replied you can characterize it however. It is a large place and could have varied uses. Prior purchase agreement included liquor license. Buyer would have to acquire liquor license. Asked about two liquor licenses mentioned and how they are held. One by Authentic Properties and the other is NRPP LLC.

Chair asked Krause to clarify parking issue because sales information included payment for this. 2-3 years ago they received \$1,000 for a few months to cover parking. Payments stopped and agreement not lived up to.

Brown summarized they had a deal and were planning to implement. Land Bank stepped in and upset deal. They had a deal negotiated in the marketplace with the prior owner. Competing proposal here today. Someone is trying to take advantage of the situation now that the Land Bank is the owner of the Property. Frandor Plus does not need the property for development to go forward. This property probably makes their proposal a little better.

Issue from our perspective is do we get opportunity to essentially implement the deal we were attempting to do prior to the Land Bank become owner? Now we are here essentially attempting to negotiate again the deal we had done one. I understand you are owner. We are asking you what it is we have to do to buy this property like we attempted to do before. Tell us the rules and price. If the price makes sense we will buy it and if not we won't. We want to do a business deal. Frankly we thought we were coming here tonight to do a business deal, but it appears now we are not.

Bahar-Cook stated what we can probably do today is provide the philosophy on how we move forward.

Chair introduces Fowler as buyer of mortgage on 3411 E Michigan at a Sheriff Sale. Perrone started brief overview of legal status but other parties present disputed his facts. Fowler allowed to present to Board.

Mr. Larry Fowler: Property was in foreclosure and owner approached him about buying property out of foreclosure. These are hard dollars that were really paid out. He provided the new financing for the redemption of the mortgage foreclosure sheriff sale for Americ Joslin. He invested over \$700,000.00. He recorded his interest after the notice of forfeiture was recorded. The Tax Foreclosure removed his interest.

Mr. Fowler presented legislative history of foreclosure statute and impact of amendments. His conversations with legislators indicate the primary driver of statute was to help Detroit neighborhood experiencing blight.

Fowler discusses some legal history in District Court and Circuit Court filing with Judge Giddings that has been moved over to Court of Claims. He indicated there is a pending lis pendens and a future court action. Court of Claims action is for monetary damages for the \$1.26 million dollar offer from Vlahakis that was lost in the foreclosure. The liquor license and equipment is not part of his claim. The ownership of the property is not 100% known. This needs to be left up to the panel of appeal judges. Proposed that escrow any sales proceeds to be used for Court decision.

Guyselman, Fowler's attorney, said the foreclosure is a windfall to County. Reason for statute is to collect tax. Mr. Perrone is inexact in statements. Situation not litigated.

Perrone stated no known lis pendens. Court of Claims is not about ownership, only money. Judge Filice handled the notice issues in District Court eviction action.

Hertel summarized three presentations as Vlahakis had agreement and lost out and Krause and Fowler are in other category.

Bahar-Cook asked about policy.

DeLeon suggested what is best for community.

Hertel stated former buyer was mistreated by foreclosure.

Diane Wing from neighborhood asked for something better than what folks have been stuck with. Folks two blocks away constantly have to put up with noise. Others have public urination and stomach contents on sidewalk to walk dogs around. There is more than an economic question for this one property. Residential neighbors lose out socially and economically.

Schertzing suggested more discussion like this helps Board understand policy options.

DeLeon stated not our business to change business opportunities.

Hertel sees attorneys needing to work out issues. Offer to purchase pulled out from under buyer. The buyers due diligence cost are a factor, but do not entitle them to the property. We are supposed to return property to productive use. This is a valuable property so we should move this along.

Hertel made a motion to instruct staff and attorney to work through process to place bonafied offers in front of Board. Support by DeLeon.

Ayes: Bahar-Cook, Copedge, DeLeon, Hertel. Nays: Schertzing. Absent: None.

2. Contracts & Bills

a. Listing agreements – review of status

The Property at 149 Spartan, East Lansing will be listed. The property appraised in the upper \$140,000's. The property at 1706 Elizabeth, Lansing, closed on 2/28/07.

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b. Accounts Payable approval – February 2007

Accounts payable for February checks 1211 to 1243 and one book transfers totaling \$ 38,050.14.

MOVED BY BAHAR-COOK SUPPORTED BY HERTEL TO APPROVE BILLS.

Aye: Bahar-Cook, Copedge, Hertel Jr., Schertzing. Nay: none. Absent: DeLeon.

c. Monthly Statement – January 31, 2007

Statement of Net Assets in the revised format is on the back side of the monthly statement.

3. Governance

a. Additional Borrowing

Chair is soliciting proposals from banks for another \$1,000,000 dollar revolving line of credit. Our current note payable is approximately \$625,000 of the \$1,000,000 line of credit. We have paid back some of the note as property has sold.

b. April Meeting Change – April 2, 2007 is a holiday and for some of us school break week. Meeting changed to April 20, 2007- 4:00 PM closed session; regular meeting 5:30 PM

c. Land Bank Brownfield Plan update

Jim Litton was introduced as our consultant from AKT Peerless. He is developing the Ingham Land Bank Brownfield Plan. Chair explained the relationship between the Ingham County Department of Development, The Ingham County Brownfield Redevelopment Authority (ICBRA), the local governmental Brownfield Authorities and the Ingham County Land Bank Authority.

There are some unique opportunities for Land Bank Properties which you can do with a Brownfield Authority. This provides a dual track of funding resources.

With the funds provided, we would be able to do lead & asbestos abatement, interior/exterior demolition, infra-structure. This would significantly increase our ability to deal with the worst of the worst properties around the county especially "red-tagged" in the City of Lansing. Pigg and Schertzing created a draft memorandum of understanding which includes defining our roll as a Land Bank Authority with a Brownfield Plan in parallel with the Lansing City Brownfield Authority. Moving forward not in competition but in harmony with their efforts. Paul Wyzgoski from Dickinson Wright is the bond attorney and Thomas Enright from Oppenheimer & Co., Inc is the financial advisor. The Brownfield will be borrowing \$1,000,000 to 2,000,000 dollars. They have been involved in other Land Bank-Brownfield activities in Genesee County.

A Brownfield Plan includes two components; eligible expenses and the ability to capture revenue. Residential parcels have a lot of expense i.e. clean-up, old foundations, lead & asbestos abatement, but the capture dollars to pay back the loan are limited. Commercial redeveloped properties have expenses, but generate significant capture dollars to pay back the loan. A re-developed site that has \$2,000,000 taxable value would provide a cash flow capture of more than \$100,000 a year for the life of the plan. How a commercial property fits into the capture is another way for the Land Bank, working with the Brownfield Authority, to get resources pulled into our joint efforts going forward.

Land Bank properties have value when you sell them, but another way to get resources to carry out our priorities is the tax capture from the brownfield plan capture. On commercial properties this capture is often more significant than the sale price. One commercial property could cover the cost to renovate hundreds of homes in Lansing.

Litton indicated there are available grants specific for Brownfield activity. The Ingham County Brownfield Authority has a grant used to help with environmental assessments. There are grants and loans for clean-up work. The State and other agencies have funds available.

The distribution of the Brownfield funds will be handled in conjunction with the Land Bank. The Land Bank must submit eligible expenses to the Brownfield. The Brownfield would reimburse the Land Bank. The ICBRA has ultimate fiduciary responsibility. The Land Bank and Brownfield personnel will have a very close working relationship. The Land Bank funds are unrestricted, but the Brownfield Fund expenditures are restricted to eligible cost. The Brownfield will bring money into the process where previously we were spending Land Bank dollars.

4. Chair's Activity Report

- a. Monthly report –None

Per reminder by Bahar-Cook, minutes from February 5, 2007, brought back before the Board.

MOVED BY BAHAR-COOK SUPPORTED BY HERTEL TO APPROVE MINUTES.

Aye: Bahar-Cook, Hertel Jr., Schertzing. Nay: none. Absent: Copedge, DeLeon.

Announcements – None

Public Comment - None

MOVED BY SCHERTZING SUPPORTED BY BAHAR-COOK TO ADJOURN.

Aye: Bahar-Cook, Hertel, Jr., Schertzing. Nay: none. Absent: Copedge, DeLeon.

The meeting adjourned at 7:02 p.m.