

Approved June 4, 2007

**THE INGHAM COUNTY LAND BANK FAST TRACK AUTHORITY**

Minutes of Monday, May 7, 2007

Members Present: Chair Eric Schertzing, Comm. Rebecca Bahar-Cook,  
Comm. Dale Copedge, Comm. Debbie DeLeon,  
Comm. Curtis Hertel, Jr.

Members Absent: None

Others Present: Timothy Perrone, Mary Ruttan, Carla Eno, Diane Wing, Nancy  
Hammond, John E. Lindsey, Joe Barkley, Shech Blake,  
Sam McGhee, Willie G. Dillard, David Wade, Sr., Ellis Watson,  
Michael Sherrell, James Cites and Recorder Tamara Swihart

The meeting was called to order by Chair Schertzing at 5:30 p.m. in Personnel  
Conference Rooms D&E of the Human Services Building at 5303 S. Cedar Street in  
Lansing, Michigan.

Approval of Minutes of April 20, 2007:

Preliminary draft copies of the minutes of April 20, 2007 were made available to the  
Board members for review with approval of the final draft of the minutes to be made at  
the June 4, 2007 meeting.

Additions to the Agenda:

1. aa. Capital Lodge -- Action Auto Gas Station
2. Contracts & Bills:
  - b. Resolution to Authorize Replacement Borrowing—Capitol National Bank

(Comm. Bahar-Cook arrived at 6:38 p.m.)

3. e. Director's Mileage

Limited Public Comment – 3 Minutes Per Person: None.

1. aa. Capital Lodge -- Action Auto Gas Station

Mr. Joe Barkley of Lansing, Michigan was the spokesperson for the 9-person delegation  
from the Capital Lodge concerning the ground contamination of the Action Auto  
property. They had heard that the County was going to redevelop the grounds and they  
requested information as to what was being planned. Chair Schertzing said that the State

of Michigan had been monitoring that site for a number of years. The Department of Environmental Quality (DEQ) had provided a preliminary cost estimate of approximately One Half Million Dollars (\$500,000.00) for cleanup. There was also an existing DEQ lien on the property for their 10 to 15 years of monitoring efforts of approximately One Hundred Fifty Thousand Dollars (\$150,000.00). According to a DEQ informant the contamination went up to the basement wall of the Capital Lodge. According to that individual's preliminary cost estimates, it would be cost effective and safer to acquire the Capital Lodge property rather than work around it. The acquisition cost and the ventilation cost of the Capital Lodge were estimated to be approximately the same. The City of Lansing Economic Development people have been aware of the contamination situation, but information as to who would acquire what and how much had not been discerned. Considering the adjacent under-utilized City of Lansing Reasoner Park property to the north, it would offer greater development options if they were to purchase the gas station and the Capital Lodge. Chair Schertzing proposed that representatives from Capital Lodge, the Land Bank and the City of Lansing Development staff meet to discuss the Master Plan the City might have for that area.

Mr. Barkley's shared their concerns over the property's assessment. Chair Schertzing said that if someone were to acquire the land a commercial appraisal would need to be done. The cleanup cost would be factored into the appraisal. There were concerns expressed over who would pay for the appraisal. Chair Schertzing said that the Land Bank would be in touch with the Capital Lodge and the City of Lansing Development staff within the next few weeks to set up a meeting.

1. Property Maintenance, Renovation & Development:

a. Resolution Requesting Purchase of Certain Tax Foreclosed Parcels

**MOVED BY COMM. HERTEL, JR., SUPPORTED BY COMM. BAHAR-COOK, THAT THE LAND BANK FAST TRACK AUTHORITY REQUEST THAT THE INGHAM COUNTY BOARD PURCHASE THE LISTED TAX FORECLOSED PARCELS AND TRANSFER THEM TO THE LAND BANK FAST TRACK AUTHORITY.**

There was discussion. M. Ruttan noted two changes that she had made on the buy list, changing them from "no" to "yes." These included Parcel 33-01-01-04-102-351 on West Sheridan Road (a buildable lot) and Parcel 33-01-01-20-134-102 on Riverview Avenue (a corner lot next to the previously purchased Olds property.)

Chair Schertzing noted that those listed parcels were subject to acquisition for public use by local units prior to the County acquiring them. M. Ruttan would still be reviewing the listed property and removing some of the "yes" designations. She said that the list represented a total cost of One Hundred One Thousand Dollars (\$101,000.00), compared to last year's Three Hundred Twenty-Four Thousand Dollars (\$324,000.00).

**MOTION PASSED UNANIMOUSLY WITH FRIENDLY CHANGES.**

Absent: None.

b. General Legal Update – Counsel

Counselor T. Perrone presented matters involving lawsuits against the County Treasurer that involved Land Bank properties. The first was the Oak Tree property which was on appeal to the Court of Appeals. T. Perrone said he would like to file his brief in the coming week. Because of filing a late brief, the appellant had been warned, then fined, and then forfeited all right to oral argument, so there should be none.

Pleadings filed by and/or on behalf of Larry Fowler and by his attorney, Charles Geiselman, in the Silver Dollar case, recalled that KCJ Corporation had claimed damages for inadequate notice of foreclosure with the Court of Claims. KCJ did not ask for the property back. They had named L. Fowler as a defendant and L. Fowler had brought a cross-claim against KCJ for the foreclosure of his mortgage against them. L. Fowler is saying that KCJ should get the property back so that he can foreclose on it. There was also a cross-claim against the County treasurer for no tax notice.

There was also a cross-claim against the County Treasurer because no tax notice was received by L. Fowler. T. Perrone said it came down to: 1. Should Ingham County have known L. Fowler had an interest? 2. Was he legally entitled to a notice? 3. If he was entitled and did not receive a notice, why not? T. Perrone stated that KCJ had received significant notice. The matter is currently in front of Judge Collette.

Judge Giddings had claimed that if the matter were to be put in the proper jurisdictional place that the Land Bank should consider selling 3411 E. Michigan Avenue. The argument was that the Land Bank was not a holder in due course, but rather an innocent purchaser from the County. There was confusion and inconsistency fostered by statements that E. Schertzing owned the property and thus the Land Bank owned the property. The Court had viewed them as one and the same. M. Ruttan noted that the land could not be sold without title insurance and with this particular property it could possibly take as long as 90 days.

T. Perrone said that he would need the treasurer's help in responding to the cross-claims. He felt there was a need to proceed right away with moving to dismiss, starting with KCJ Corporation. He said they could not come in at this point and say that they had not received sufficient notice. L. Fowler had more than one opportunity to raise the issue and had not. There was discussion regarding L. Fowler coming in five days late with the money and expecting that to be acceptable. Chair Schertzing said that regardless of the circumstances, if they were five days late they would be foreclosed.

T. Perrone said that L. Fowler was insisting that the property was worth One Point Two Million Dollars (\$1,200,000.00). Comm. Hertel, Jr. noted that, as a going concern with a liquor license and the properties, it could have been worth approximately One Point Two Million Dollars (\$1,200,000.00), but with a current appraisal the price would likely be

between Four Hundred Thousand Dollars (\$400,000.00) and Six Hundred Thousand Dollars (\$600,000.00).

T. Perrone said that they could show that when L. Fowler bought the property he knew that there were taxes owed and he should have known that paying some back taxes would not be sufficient to cover all of those taxes that were subject to the foreclosure. He added that L. Fowler could state that his claim does not rest on whether KCJ's claim was valid, but that he stood alone as an interested party without notice. T. Perrone added that the statute calls for money as an exclusive course of remedy in the Court of Claims. He said the challenge would be to educate the judiciary as to how this should be resolved. There was discussion as to whether L. Fowler could get damages and how much. T. Perrone felt they could get an answer to the cross-claim fairly soon and possibly within a month get a motion for summary disposition prepared, filed and possibly heard by July.

M. Ruttan felt that a distinction should be made that this is with the County treasurer and not with the Land Bank. T. Perrone said that L. Fowler would make a pitch that it is one and the same. M. Ruttan said that the County treasurer had set up the escrow to cover any liabilities. T. Perrone said he could not discuss this in closed session, that this is not a lawsuit against the Land Bank. There was limited discussion.

## 2. Contracts and Bills

Chair Schertzing disclosed that Mr. Paul Wyzgoski of Dickinson Wright, PLLC, 215 South Washington in Lansing, had handled the contract work on this matter and had been a 2000 cycle and a 2008 cycle donor to the "Friends of Eric Schertzing for Treasurer" campaign. Of the nine banks that were solicited, six of them or their employers had been donors to his campaign. Comm. C. Hertel, Jr. added that he had received Fifty Dollars (\$50.00) from James Blanchard of Citizens Bank during the last cycle.

Chair Schertzing announced that were two resolutions rather than one due to the number of interesting and complex proposals.

- a. Resolution to Authorize Replacement Borrowing – National City Bank
- b. Resolution to Authorize Replacement Borrowing – Capitol National Bank

Capitol National Bank had the lowest margin over the LIBOR Rate, but they could only handle One Million Dollars (\$1,000,000.00) of the amount. The difference between Capitol National Bank and the next lowest bidder, National City Bank, was five basis points or 1/20 of a percent. M. Ruttan had recommended using two lenders in order to save Five Hundred Dollars (\$500.00) per year. Chair Schertzing presented a resolution with Capitol National Bank for One Million Dollars (\$1,000,000.00) and the earlier resolution for National City Bank for the Five Million Dollars (\$5,000,000.00). National City Bank had been 60 basis points over LIBOR and Capitol National had been 55 basis points over LIBOR. National City Bank would be Note No. 1 and Note No. 2 would be Capitol National Bank. There was discussion.

Chair Schertzing had explained to the banks that he was looking for Three Million Dollars (\$3,000,000.00) to Five Million Dollars (\$5,000,000.00) and would be using most of the Three Million (\$3,000,000.00). That amount would rise with the addition of more houses and renovations. The banks had factored those possibilities into the pricing which was reflected in their proposals. National City Bank's proposal had been for Five Million Dollars (\$5,000,000.00). Initially they would release Three Million Dollars (\$3,000,000.00). When that was used up, the Land Bank could write an additional letter and National City Bank would make available the remaining Two Million Dollars (\$2,000,000.00).

It had been pointed out that the existing One Million Dollars (\$1,000,000.00) with Citizens Bank was at a higher rate and needed to be replaced, so money would be needed in addition to Capital National Bank.

Chair Schertzing had noted that for June activity, they would be looking at a need for additional money due to new bills lining up. He estimated that what they were doing would probably take care of them over the next three years.

Chair Schertzing had explained that the goal for the second half of 2008 was to have a monthly production of four houses with fifty houses in transit. He noted that would take approximately Two Million Five Hundred Thousand Dollars (\$2,500,000.00). He estimated that the Land Bank's capacity of 50 houses would be Three Million Dollars (\$3,000,000.00) to Four Million Dollars (\$4,000,000.00).

Comm. DeLeon had asked, "With some properties tied up for longer than one year at a time, how much capital would that tie up?" Chair Schertzing had pointed out that the gas station property would involve Seven Hundred and Fifty Thousand Dollars (\$750,000.00) if the Land Bank would be the entity to proceed with the cleanup and would acquire any adjoining property. There was further discussion.

Comm. DeLeon had inquired regarding the "*Resolution to Authorize Replacement Borrowing and Issuance of Note by The Ingham County Land Bank Fast Track Authority – Resolution #07- Series 2007 Note*" with reference to one embodied sentence under No. 8. SECURITY:

In the event and to the extent that the Net Revenues are not sufficient to pay the principal of and interest on the Note, such principal and interest are payable as a first budget obligation of the County from its general funds.

Following a small discussion regarding the above sentence, Comm. DeLeon said: "Our recommendation would be to send it to the Finance Committee (June 2, 2007) and on to County Services to be placed on the June 12, 2007 agenda." There was discussion.

Chair Schertzing said that in the proposal from the agreement that would be signed by the chair and the secretary it stated that the base amount was a Three Million Dollar (\$3,000,000.00), 3-year qualifying tax-exempt revolving line of credit. An additional Two Million Dollars (\$2,000,000.00) line of credit would be made available upon the demonstrated need for further capital. It was agreed to insert the following language as:

*WHEREAS, the base amount is three million dollars (\$3,000,000.00), an additional Two Million Dollars (\$2,000,000.00) will be made available only upon resolution of the Land Bank Board and the demonstrated need for further capital.*

**MOVED BY COMM. BAHAR-COOK, SUPPORTED BY COMM. HERTEL, JR., THAT 2a AS AMENDED WOULD BE THE NATIONAL CITY BANK RESOLUTION.**

**MOTION PASSED UNANIMOUSLY.** Absent: None.

**MOVED BY COMM. HERTEL, JR., SUPPORTED BY COMM. BAHAR-COOK, THAT THE NEW 2b. WOULD BE THE CAPITOL NATIONAL BANK RESOLUTION FOR ONE MILLION DOLLARS (\$1,000,000.00) AT 55 BASIS POINTS.**

**MOTION PASSED UNANIMOUSLY.** Absent: None.

c. Accounts Payable

Chair Schertzing had presented Check No. 1278 through Check No. 1303 totaling \$73,689.06. Comm. Bahar-Cook noted that it seemed odd that Check No. 1295 and Check No. 1296 had been for the same amount. M. Ruttan said that each check had been for the Martin Cleaning Service and Chair Schertzing said that a modification would be approved at the next Land Bank meeting. Comm. Bahar-Cook had asked if Check No. 1299 was just for public relations. M. Ruttan reported that it included a website design for approximately \$3,000.00 and an open house for \$4,000.00. The latter had included books and furniture rental. Chair Schertzing indicated that the website design would result in templates and documents that would be easier to use with less modification. He reported some still shots would be forthcoming for the website.

M. Ruttan had reported that there were two sections to the website. In addition to the part normally looked at, the other part was a database to put their parcels out there and to contact realtors. With the newly created database, they would be able to monitor it on an ongoing basis. It would be worked through the internet as complete and separate. That would be approved at the June Land Bank meeting.

**MOVED BY COMM. HERTEL, JR., SUPPORTED BY COMM. De LEON, TO APPROVE ALL CHECKS PRESENTED, INCLUDING CHECK NO. 1295 WITH ITS REVISED DOLLAR AMOUNT TO BE PROVIDED LATER.**

Chair Schertzing had questioned the 149 Spartan offer, and after a brief discussion had determined to hold back on that until the next meeting.

**MOTION PASSED UNANIMOUSLY.** Absent: None.

d. 149 Spartan Offer – Information

M. Ruttan passed out a copy of the Offer to Purchase on 149 Spartan. There had been two offers and both of them had come in at \$140,000.00. The property had been appraised at \$144,900.00. The first buyer had amended their offer to \$141,000.00. The second buyer bought it for \$144,900.00.

On Page 1 of 2 of the Land Bank's counter offer, which they had accepted, it had talked about the declaration of restricted covenants for 20 years. Comm. Hertel, Jr. inquired as to whether background checks were done on buyers. T. Perrone said that, if they have a qualified buyer for a mortgage who agrees to the restricted covenants, they do not discriminate. He added that if there were reasonable grounds, further investigation of a buyer could be conducted.

Comm. Copeage had questioned whether the Land Bank would now notify the City of East Lansing about the agreement or would the Land Bank maintain it. Chair Schertzing had explained that the property would be recorded in the Register of Deeds and the Land Bank would receive a copy of that recorded document from the City of East Lansing. T. Perrone said that monitoring and enforcement was the Land Bank's responsibility.

3. Items From the Executive Director

a. Guidelines on Decision-Making

M. Ruttan announced that there were two new staff people. One would operate as a one-quarter time position and would be shared with the Foreclosure Division, and the other would be a one-half time position and would be shared with Ground Field Authority, but would be almost full time within the Land Bank. She pointed out that additional staff had been included in their 2007 budget, including the half-time position. To accommodate the quarter-time position, M. Ruttan would be providing an amended budget.

b. 3411 E. Michigan -- Appraisal

M. Ruttan had referenced the summary from the appraisal that she had attached to the agenda and minutes. There was no further discussion.

c. Update on RFP Process – Executive Director

Executive Director M. Ruttan, with the help of Ms. Sue Pigg from Economic Development and Ms. Janeil Valentine from Purchasing, had put together an update on the RFP process which was distributed to the Land Bank members. This information had

been published in The State Journal on May 3, 2007 and also would appear in the upcoming issue of the Community News. She said they had put the sign up on the building and had mailed out 27 letters of interest to developers and to date they had sent out five actual requests. They had scheduled a structure site inspection for May 16, 2007. Proposals would be accepted up until 11:00 a.m. on August 1, 2007.

She noted that the next Land Bank meeting would be August 6, 2007 and observed that they would not be able to complete the review process in two (2) days. It was determined Board members should come to the June meeting prepared to coordinate their calendars to accommodate rescheduling of the necessary meeting.

d. Commercial Property RFP Review Committee

There was a discussion wherein Comm. Bahar-Cook said she would like to see a rotating RFP Review Committee membership and had asked if there was an application process approved by the Board. M. Ruttan said that this particular committee was only related to their commercial property. There was discussion.

**MOVED BY COMM. HERTEL, JR., SUPPORTED BY COMM. COPELGE,  
THAT THE DISCUSSION BE TABLED.**

There was limited discussion.

**MOTION PASSED UNANIMOUSLY.** Absent: None.

e. Mileage

**MOVED BY C. HERTEL, JR., SUPPORTED BY R. BAHAR-COOK, TO PAY  
MILEAGE FOR EXECUTIVE DIRECTOR MARY RUTTAN AT THE SAME  
RATE AS INGHAM COUNTY.**

There was discussion.

**MOTION PASSED UNANIMOUSLY.** Absent: None.

Public Comment – 3 Minutes Per Person:

Ms. Diane Wing of East Lansing inquired as to whether there was one committee for all commercial properties or one formed for each one as it would come up. The response indicated that no final decision had been made with regard to that inquiry.

Regarding 3411 E. Michigan Avenue, it had been pointed out that the Parkway needed to be mowed and Chair Schertzing had said that the mowing would begin that week.

Adjournment:

The meeting was adjourned at 7:08 p.m.



Respectfully Submitted,

Tamara Swihart (Recorder)