

Leland Township Board Meeting

Workshop Minutes

September 13, 2023, 10:00 a.m.

Via Zoom

Leland Township Office, 249 W. Main St., Lake Leelanau, MI 49653

PRESENT: Supervisor Susan Och, Clerk Lisa Brookfield, Treasurer Shirley Garthe, Trustee Clint Mitchell, Trustee Mariann Kirch

GUESTS: Jennifer Wahr, Tom Colis (in attendance by ZOOM)

CALL TO ORDER - Ms. Och called the meeting to order at 1:01 p.m.

PURPOSE OF MEETING: To gather information on USDA loans and the bonding process. Jennifer Wahr of the USDA and Tom Colis of Miller Canfield, Township funding attorney will be in attendance to discuss various funding options for the purchase and improvement of 489 W. Main Street, Township administrative office.

DISCUSSION

The purchase of the new Township offices is on a 15-year land contract at 6.75%. It is the Board's intent to explore alternative means of financing. Jennifer Wahr was present by ZOOM to discuss financing through a USDA loan. The current interest rate with USDA is 3.75% until the end of September. October 1st, the interest rate will be redetermined for the last quarter of the year. The Board was not thinking of financing the down payment, although it is an eligible cost that can be financed. An applicant contribution is not required for a USDA loan.

Jennifer explained the priority score that is assessed for all loans. USDA loans are judged by the date of completion of the application and priority scoring. Your loan is competitive with other loan applications. There is a state level and a national level. When state funds run out, your loan is considered at the national level. At this time of year, your loan would be considered at the national level. Application for federal assistance is one part of the application. Some pieces of the Township's application have been submitted but the application is not complete. The application still needs commercial credit certification. The purpose of this is to confirm that commercial lending is not affordable. The Township needs to obtain two more commercial credit certifications. An approved five-year operating budget and a current balance sheet is also needed. USDA has forms for all needed information but anything that has the same information is accepted. Through USDA, this is a loan application rather than refinancing. The interest rate is determined at obligation or closing. Jennifer was asked about the time frame until approval. She could not give a time frame, but said that available funds are not known on October 1, but usually takes until March of the next year. That the loan is for an existing structure rather than new construction does make the application a bit easier. The last two quarters have stayed at a 3.75% interest rate. A 30-year loan is typical but it can go less or more. There are no penalties for extra payments or early payoff. Pre-payments are typically put at the end of the loan, shortening the loan time.

Tom Colis spoke on alternative ways of financing. USDA would be using the loan to buy the Township bonds. He explained the process for the selling of bonds and tax-exempt bonds.

The bond process can start anytime; before or after the obligation. The Township can adopt that resolution anytime. The bond processing cost would be about \$15,000 - \$20,000.

Tom recommended that the Township should get the full application done. There is a 45-day referendum period with the notice of intent resolution.

It was asked if funds for making renovations to the building or adding another building to the property could be added to the loan. Being already obligated, renovations cost can be added to the loan. Jennifer suggested to get more than what you need; you can always give back what you don't use. A new building would have new construction requirements. With a few other steps, you could use bonds. The short answer is: it is possible. Jennifer suggested that the Township have more discussion about what they intend to do.

Tom noted that the notice of intent starts the bond issuing process. There is no down side to doing the reimbursement resolution.

Clint Mitchell suggested that the Township wait until after October 1 to know the new interest rate. If we do the notice of intent before the obligation, it would definitely go to referendum. He feels that the voters would want to know the details of the Township's intent. \$15,000 – \$20,000 for the cost of the bonds is a high number. Clint offered some preliminary costs that he calculated. It would take several years to break even on the bonding costs. Closing costs would be extra.

The meeting was adjourned at 2:00 p.m.

Respectfully submitted,

Cindy Kacin