

A regular meeting of the Leelanau County Brownfield Redevelopment Authority was held on Tuesday, April 21, 2020.

Proceedings of the meeting are being recorded (audio and video) and are not the official record of the meeting. The formally approved/accepted written copy of the minutes will be the official record of the meeting.

CALL TO ORDER

Meeting was called to order by Chairman Egan at 10:00 am. The meeting was held at the Leelanau County Government Center, 8527 E. Government Center Dr., Suttons Bay MI and via ZOOM.

Roll Call

Members Present: Kathy Egan, Patricia Soutas-Little, T. Eftaxiadis, Rick Foster, Dennis Bushey
(via ZOOM)

Members Present: Chet Janik
(At Government Center)

Members Absent: John Arens
(Prior Notice)

Staff Present: T. Galla, Director, L. Evans, Executive Assistant
(At Government Center)

Public (via ZOOM): Rick Barreca, Jeff Hawkins

Public (audio only): Tony Mattar, Jacob Wheeler, Rick Chard

Members welcomed T. Eftaxiadis as a new member of the Brownfield Redevelopment Authority.

CONSIDERATION OF AGENDA

It was moved by Bushey, seconded by Foster, to approve the agenda as presented. Motion Carried 6-0.

CONFLICT OF INTEREST – None.

CONSIDERATION OF FEB. 18, 2020 MINUTES

It was moved by Soutas-Little, seconded by Janik to approve the minutes as presented. Motion Carried 6-0.

PUBLIC COMMENT – None.

DIRECTOR COMMENTS – None.

CONSENT AGENDA

It was moved by Janik, seconded by Bushey to approve the consent agenda as presented. Motion Carried 6-0.

OLD BUSINESS - None

NEW BUSINESS

1. Director memo and Part I Application for assistance

Egan requested Galla give an introduction. Galla confirmed the application was received as well as the application fee. The application outlines what the owners/developers would like to do on the property and the proposed

dollar values. She cautioned everyone on the values and said it would not be until we get into Part II where we would see more detailed numbers on the plans. These are preliminary numbers and she wanted everyone to keep that in mind. The application outlines the different parcels that are included as well as the owner of record and the taxable values. They've outlined the size of the property and the buildings and what they would like to do, starting with some demolition. As noted in her memo, the environmental reports that have been done were done under former assessment grants under the EPA. All those reports are filed in her office; they are not included in here because of the length but she has them if anyone would like to take a look at them. What you are considering is: 'does this application fit with your goals for assisting properties, and is this a property that may benefit by brownfield using tools and incentives to help redevelop this property'? If so, you would accept this application which then opens the door for the developers to submit a Part II application. The Part II application goes into more detail and that's where a preliminary brownfield plan would have to be submitted to us for review and we would need to have a lot more details on the plans and the eligible activities that could be reimbursed through a brownfield plan.

Janik requested Rick Barreca give an overview of the application. He thanked Barreca for joining today.

Barreca thanked the members for the opportunity to do this remotely. He is grateful to the county for putting in this application for the brownfield plan on a very complex property. There is a timing issue as they don't know how long the current situation will stay in place. The goal was to submit this and move forward with demolition plans for the project, before they go on with most of the major predevelopment plans. They feel demolition is an important step as it enhances value of property, and gives flexibility to maximize the final design. This was submitted with the idea of having some flexibility and having the county and other resources available to help assist getting the work done. Obviously, it's an expensive undertaking and there's not a lot of return in terms of the cost to demolish the property, given the environmental issues and the resources that have to be put in place to remove all of that material. We are grateful for this opportunity and help from Galla and the commission and it's our plan to keep moving forward with regard to what we had talked about with a schedule and times to get out there and begin our demolition, assuming we get all permits and things approved properly.

Eftaxiadis stated he had several questions. On page 12 of the application, there is a list of key project consultants. Envirologic is listed as the developer's consultant. If that is the case, would another environmental consultant represent the Brownfield Authority? Galla said the firm can not represent both. This is the Part I application. Hawkins will have to answer whether or not he is the consultant for the developer as we are not aware of that. Hawkins replied the only work they have done on Sugar Loaf Resort so far has been on behalf of the county Brownfield Redevelopment Authority in implementing the EPA grants to do some of the work, so Envirologic was working for the county. And, Envirologic had some input to help them (Sweet Bread) fill out their application. Envirologic does not have a contract with the developer at this time, for this project.

Janik said at this point there is no conflict.

Eftaxiadis asked Hawkins if there was adequate environmental data at this time, based on past assessments, for the developer to determine the costs of the environmental activities and non-environmental. There is preliminarily about \$8 million anticipated in costs to address brownfield conditions. Is there enough data to come up with enough cost estimates to put in a brownfield plan, based on your knowledge of the site?

Hawkins replied it was a good question. Based on the number of studies that have been done over the years by multiple consultants, he believed we have a pretty good handle on both soil and groundwater conditions. Maybe not as much on groundwater. The building itself has minimal contamination that we have been able to observe. There is some contamination associated with agricultural activities on 'off properties,' and there is still some

contamination related to a maintenance garage. We have a pretty good handle with respect to asbestos issues in the buildings. Based on information we have, the bulk of the environmental costs will be demolition to get rid of buildings and things they don't need, vs. actual cleanup. Hawkins said he was not speaking for Mr. Barreca or Mr. Katofsky. Some of the preliminary plans on where the buildings will be, if there is a similar footprint in the area of existing buildings, shows there is not a lot of contamination under the buildings. They anticipated more contamination because they pulled a big fuel oil tank out, however so far, under the buildings, soil removal and vapor intrusion will not be needed. Eftaxiadis replied that was one of his questions is whether vapor intrusion will need to be addressed, because \$8 million is a big number.

Eftaxiadis asked about the buildings to be demolished and if it was about 145,000 square feet. Hawkins replied it sounded about right. Envirologic has not done estimates and not gone through exercise with Sweet Bread to get the actual demo cost. Estimates they used in this application were from their team members.

Eftaxiadis said the construction cost and site improvement is about \$112 million. Is that number based on approximate square feet to be constructed times an amount per square foot, or how did this number get developed.

Barreca said the number was developed as an estimate on the scope of project they currently have preliminarily planned for this site. The idea for this site isn't to have bulk the of project a sitting where existing buildings are, but to have several sites throughout that do different things. It is an estimate. In this process, estimates are not accurate but it is a minimal starting point. If this is a football field, we are at the 1 yard line. We have a lot of planning to do. There haven't been any long-term cost estimates done yet. We've estimated where we think these costs would be as a starting point.

Egan said Part II would include more concrete numbers and that is months and months away, correct? Barreca said yes, Part II is a more detailed submission and requires us to put actual bids to the project, with confirmation of materials and sub-contractors putting a cost budget together.

Egan said that Part I is really entering into the idea of working together and using brownfield tools to help with economic development of the property. It is showing willingness of the county and developer to enter into future agreements.

Hawkins commented on what Eftaxiadis and Barreca said and noted that by no means have we gone through a formal exercise to develop all the eligible brownfield activities for this property, through Tax Increment Financing (TIF), eligible activities through state programs through the MEDC, or eligible activities through Rural Development for infrastructure or utility upgrades. Sweet Bread has had some extensive conversations with stake holders but the big pressure on them and others is to get the buildings down and put those plans together from the standpoint of finding all resources for their project. Barreca said he appreciated Hawkins giving that description.

Eftaxiadis asked if there had been discussions with anyone for CRP (Community Revitalization Program) or discussions with MEDC and their interest in this project. Barreca replied they had discussion with a representative of the MEDC well over a year ago with our preliminary plans. MEDC is always very interested in hearing different ideas but think we think have a long way to go in determining what is actually eligible and what they are interested in doing with us. We try to be transparent with them; they have lots of different slots with lots of different things. Hopefully, there will be some type of a slot for us regarding this project. We are putting many of our hopes in the different USDA programs that are available. We've met with MEDC and will continue to meet with them and see what kind of help they can provide.

Eftaxiadis commented on page 17 of the application, it shows current taxable value and estimated future taxable value upon completion. The future shows \$175 million as taxable. Is that perhaps the true cash value, rather than the taxable? Barreca said yes, that is based on what we would assume to be the market value of the completed project.

Eftaxiadis asked about Galla's memo, which comments on a site plan. Is there one? Egan replied, no.

Soutas-Little thanked Barreca for joining today. She noted the application says they are financing through PACE for part of this project. She asked Barreca if they had started discussion on that yet or will they be reaching out to them? Barreca replied they have a very close relationship with their PACE lender. They have spoken to them about this project but given the length of time in terms of when that piece of it would come into play, they haven't gone into great detail with them. They have a close relationship with Petros which is their PACE lender, and they are in the midst of other projects with them right now so they speak with them regularly about what is coming down the pipeline and that may change in terms of some of the infrastructure work that may be necessary that they may fund ahead of time. We're not there with them yet.

Soutas-Little said she knows everything is tentative right now, but complimented them on including youth sports, day care programs, and workforce housing as those are essential to success given our situation in Leelanau County. Thank you for including those in your initial thinking.

Foster asked if Sweet Bread had any other businesses other than luxury resorts. Barreca replied Sweet Bread is a special purpose entity, born specifically for this project so it has no other business than owning and operating Sugar Loaf. Foster asked if it was related to any other developments in Michigan. Barreca said it is a special purpose entity that owns one property which is the Sugar Loaf property.

Egan asked if we were approving or accepting the application. Galla replied accepting the application and moving it forward. Egan said the first phase is basically that we are interested in continuing on to another level which is the much more detailed level of having the actual brownfield plan and actual numbers and actual plans. So this initial step is just Part I to work with the Brownfield Authority.

It was moved by Soutas-little, seconded by Foster, to accept the Part I application for the Sugar Loaf resort property. Motion carried 6-0.

Egan thanked Barreca for being here for the meeting and hoped to see him in the future. Barreca said he looked forward to meeting as soon as things make it possible to get back here.
(Barreca left meeting).

FINANCIALS

Motion by Foster, seconded by Janik, to accept Claims & Accounts as presented in the amount of \$925.26. Motion carried 6-0.

POST Audit /Budget Amendments – None

CORRESPONDENCE/COMMUNICATION ITEMS – The approved Policies & Procedures were in the packet for all members, and for reference with regard to the Sugar Loaf Part I application.

PUBLIC COMMENT

Tony Mattar, Sugar Loaf Condo Association, asked if this means they can proceed with the demolition schedule, now that Part I application has been approved, given the state allows for a June 1 start. Egan said the Brownfield Authority has nothing to do with the demolition, it has to go through Building Codes. Hawkins added it is up to them to obtain appropriate permits including local and state permits in order to proceed with demolition. Keep in mind that the brownfield application you accepted is the stage for them to proceed on to the next step of pursuing potential support for a brownfield plan or TIF (Tax Increment Financing). It presents an opportunity for them to pursue. The brownfield plan using TIF positions them to get reimbursed in the future for demolition costs, assuming they make investment in the property down the road. Brownfield plan approval is not necessarily linked to the demolition, although they can still incur demolition cost and get it approved through a brownfield plan in the future should you approve it. They may pursue that brownfield plan prior to demolition. I'm not sure what their goal is or what their plan is for demolition. First step is to get those local and state permits.

Egan commented this authority has no permitting jurisdiction over demolition or building. By working with us, they may get some of those costs reimbursed.

Mattar asked if this now means that they have been accepted for reimbursement by the Brownfield Authority. Egan replied, no. That is not what they have asked for yet. That is a much longer process. That has to have a local jurisdiction approval, county board approval, its' a much longer step. That's why it is broken in two: first step is "yes, this is the type of development that we work toward and that we work with and that meets our goals. So yes, go ahead and work on the next step, and all the approvals that are needed."

Mattar said his main concern as the director of Sugar Loaf townhouses, is the immediate or expediting the demolition of that property as it stands now. He wanted to be sure we are making good progress in that regard. They scheduled an initiation date of June 1 given state approval of that. He just wants to be sure we are going in the right direction to expedite this demolition. Egan replied we are certainly not going in wrong direction. She couldn't vouch for any timing on any parties, but there is nothing that has been held up at the brownfield level. Seeking interest in working with the brownfield indicates that they are working toward moving forward on the project. She said she couldn't speak for anyone on the other side.

Mattar said Tim Stein, Township Supervisor, made a strong statement that Matter supports - that this is going to be done, regardless. That the demo has to take place and there shouldn't be any impediments to moving ahead with that. Egan said that is out of the jurisdiction of the brownfield authority, completely.

DIRECTOR COMMENTS – none.

MEMBER/CHAIRPERSON COMMENTS

Bushey thanked Galla and Janik and offices for putting this together, and hoped we could meet in person soon.

Eftaxiadis asked if the LCBRA has a history of demolition prior to approval of a brownfield plan, if there is only a local TIF capture.

Hawkins replied and said he thought all four plans in the county were in place prior to demolition. He understood where Eftaxiadis was going with this as the statute allows you to approve a brownfield plan using local tax increment for costs that were incurred prior to approval of a brownfield plan. It is subjective to the authority approving it and going through the normal process to get it approved, public hearing, county board approval, etc. It's cleaner to get the plan approved prior, but timing doesn't always work. Galla added that she felt we had done demolition on Cherry Bend Road prior to the brownfield plan because the house had to come down first for EPA

to get on the site and do their work. That would be one where we did demolition first and had to do it before the agreement with the new purchaser. Eftaxiadis said state TIF was not pursued on that and Hawkins confirmed.

Eftaxiadis said this is a big enough project and demolition is really pricey so it would make sense to pursue both local and state TIF. Therefore, you have to go through the whole process prior to demolition.

Soutas-Little said she was very pleased that we have the application and accepted it so we are starting on a first step. She hoped we could continue with Sweet Bread on the project, as this is a major asset in this county. She understands where Mattar is coming from and the concerns that citizens have. Barreca was very definite about plans to start and have demolition completed by fall. No way that can be guaranteed, and now there is the coronavirus issue. She felt their intent was to continue in that direction and we remain cautiously optimistic this will be done this year. It's not just from a safety standpoint, but also where they can put structures once demolition is done.

Bushey asked about audio problems that were occurring in the latter part of the meeting and most agreed there were problems and audio was breaking up.

Rick Chard (public) said there was a report at one of the township hall meetings, that last fall to this past spring there was supposed to be some renderings of the hotel. Do you see any of that in the future? Janik replied that would be up to the owners of the hotel. We would not be involved in that and can't speak on their behalf. Egan said renderings of the actual building is not something we traditionally require or have any say in, it has to go through the township.

Hawkins added the brownfield doesn't require them but could request it in the part II application, so it could be something that is coming.

Foster commented it was good they are looking ahead at demolition. He was afraid of what we will be facing not just locally but nationally and internationally, and would question if anyone is going to put millions into a luxury hotel in next couple years, because it will be a while before they can be certain they can have some cash flow from it. It may become a good time to work on it if labor cost goes down. Getting demolition done is a real good move. Glad we are in a way, supporting it. He feared the rest of the project would not come close to the calendar that we have seen.

ADJOURN

It was moved by Bushey, seconded by Foster to adjourn. Meeting adjourned at 10:51 am.