



CITY COUNCIL

April 17, 2023

A regular meeting of the City of Petoskey City Council was held in the City Hall Council Chambers, Petoskey, Michigan, on Monday, April 17, 2023. This meeting was called to order at 7:00 P.M.; then, after a recitation of the Pledge of Allegiance to the Flag of the United States of America, a roll call then determined that the following were

Present: John Murphy, Mayor
Tina DeMoore, City Councilmember
Derek Shiels, City Councilmember
Brian Wagner, City Councilmember
Lindsey Walker, City Councilmember

Absent: None

Also in attendance were City Manager Shane Horn and City Clerk Sarah Bek.

Hear Presentation on 1420 Standish Avenue, Former Michigan Maple Block Property

Jeff Smoke, Managing Director of Great Lakes Capital, gave a project overview of Maple Block Flats, the potential project at the former Michigan Maple Block property, 1420 Standish Avenue; that 204 new multifamily units would be built; that approximately 60-90 +/- units will be designated to residents who make between 80% to 120% of the area median income; reviewed amenities; reviewed site plan; that \$3.1M is budgeted to demolish and remediate site; that commercial is not wanted until density is met; reviewed sample elevations and floor plans with architectural detail; that units will be approximately 700-1,100 square feet apartments; reviewed potential incentives and that Great Lakes Capital has applied for Missing Middle and MEDC CRP grants; that using a piece of all available incentives is ideal to make project feasible; reviewed incentive approval timeline with hopes of breaking ground in August; reviewed financial gap analysis with remaining financial gap of approximately \$4M; reviewed that the developer has received local support from businesses and previous property owner; and reviewed that the developer has been involved in many public/private partnerships and an Indiana-based company.

Councilmembers thanked the developer for presentation; inquired on the aggregate incentive amount being requested of the City; inquired if there would be room for negotiation on abatement due to tight timeline; inquired if a fourth story was discussed to increase density and reduce gap and if it would make a difference financially; heard concerns on the tight schedule and inquired if the developer had already acquired the property; inquired on the number of years requesting for incentive; heard from those in favor of the project, but concerns with the amount of staff time involved with development projects and the importance of recouping annual taxes; and heard from those optimistic on Great Lakes Capital and inquired on material costs, labor costs and supply chain management issues and what is happening with the economy.

Mr. Smoke responded that TIF and eligible activities are being finalized and that a request will be in the form of a tax abatement at a high level; that four stories with an elevator was considered but the extra costs outweighed the benefit; that three-story walkups were the best value and an elevator is costly; that there will be time for public comment period; that property will not be acquired until incentives are lined up since there is too much liability and risk; that the Missing Middle application was submitted 3-4 weeks ago and will be applying for MEDC CRP grant soon; that the economy continues to move forward with more challenging interest rates; labor costs have decreased, but materials increased making it more expensive to complete projects; that there is room for help from the State and local

entities to make project financially feasible; and that Great Lakes Capital has completed various projects in the Midwest, Utah, North Carolina and Traverse City.

Mac McClelland, Brownfield representative, reviewed that Great Lakes Capital will apply to become a Land Bank developer and will include a proforma with MSHDA in advance of property purchase; that guidelines were not available yet, but that the application will go to the Land Bank Authority by the end of the month or for the May meeting; that EGLE grant would be offered through the City; reviewed annual tax bill of approximately \$500,000 through Brownfield or tax abatement and ask of the City and City share is estimated at 30% of tax bill and developer will ask for the maximum amount and contribution; that the number of years is to be determined, but that it would be for a period of time; and reviewed the importance of incentives and that without incentives a development and taxes are not generated.

Consent Agenda - Resolution No. 23-28

Councilmember Wagner moved that, seconded by Councilmember DeMoore adoption of the following resolution:

BE IT RESOLVED that City Council does and hereby confirms that the draft minutes of the March 20, 2023 work session and regular session City Council meetings be and are hereby approved as amended to add that Emmet County declined as a guarantor;

BE IT RESOLVED that receipt by City Council of a report concerning all checks that had been issued since March 20, 2023 for contract and vendor claims at \$699,374.39, intergovernmental claims at \$82,954.70 and the March 30 and April 13 payrolls at \$452,821.03, for a total of \$1,235,150.12 be and is hereby acknowledged;

WHEREAS, the City's 2023 Annual Budget and Capital Improvements Plan included \$70,000 for the reconstruction of the deteriorating 1998 vintage sidewalk retaining wall on Jennings Avenue; and

WHEREAS, upgrades relative to the Jennings Avenue sidewalk retaining wall include widening of the existing 4' wide sidewalk to 5' wide, removal and replacement of the existing retaining wall, associated earthwork and restoration; and

WHEREAS, the retaining wall layout along with bid specifications were prepared by Benchmark Engineering, Inc., Harbor Springs and bid packets were made available on February 22, 2023; nine area firms were notified and five bids were received on March 22, 2023; and

WHEREAS, City staff reviewed bids and recommends contracting with the low bid, Dunkel Excavating Services, Inc., Petoskey; and

WHEREAS, additional costs associated with this project that are not included within the Dunkel Excavating Services, Inc. contract amount, include the installations of sidewalk; retaining wall block material; and site restorations. This work will be coordinated and performed by others and is estimated at \$10,000. The retaining wall block materials will be procured by the City and is estimated at \$17,100:

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby authorize to contract with Dunkel Excavating Services, Inc., Petoskey, Michigan, in the amount of \$21,724.10 for the Jennings Avenue retaining wall replacement; and

WHEREAS, the City's 2023 Annual Budget and Capital Improvements Plan included \$150,000 within the Water and Sewer Fund for water service line investigations; and

WHEREAS, 2018 revisions to the Michigan Safe Water Drinking Act, 1976 PA 399, as amended, requires all water supplies to develop a Complete Distribution System Materials Inventory (CDSMI); and

WHEREAS, the purpose of the CDSMI is to characterize, record, and maintain a comprehensive inventory of distribution system materials, including service line materials on both the public and private side of a water service. Once complete, the inventory will be maintained to support asset management, lead service line replacement and notification of those served by lead service line components; and

WHEREAS, the CDSMI must be submitted to the Michigan Department of Environment, Great Lakes, and Energy (EGLE) no later than January 1, 2025; and

WHEREAS, City staff along with its consultant, Hubble, Roth and Clark, Inc., Grand Rapids, began the CDSMI by reviewing existing records, creating a tracking spreadsheet, and implementing procedures as a recommended and approved method by EGLE. The next step in advancing the materials inventory is to conduct over 300 field verifications of water service lines over the course of a two-year period; and

WHEREAS, specifications and bids for “Water Service Line Material Verification” were prepared by Hubble, Roth and Clark, Inc., Grand Rapids. Bid packets were advertised and made available on February 21, 2023; 8 bids were received on March 22, 2023; and

WHEREAS, City staff reviewed bids and recommends contracting with the low bid, GFL Environmental, Kalkaska:

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby authorize to contract with GFL Environmental, Kalkaska, Michigan, for a two-year period for a total project cost of \$82,953 for water service line material verification; and

WHEREAS, City of Petoskey has taken financially difficult steps to stabilize its pension program and get its pension costs and liabilities under control; and

WHEREAS, these steps followed best practices established by the State of Michigan and kept City of Petoskey operationally viable in the face of enormous financial pressure; and

WHEREAS, HB 5054 of 2022 would have divided \$250 million between City of Petoskey, and other communities like it, that made the tough decisions and followed those best practices; and

WHEREAS, City of Petoskey and others like it are ineligible for \$750 million in pension relief allocated by the State in 2022 despite experiencing the same pension-related financial stresses as those who will receive that relief; and

WHEREAS, these stresses have been amplified by market losses in 2022 and a volatile market in 2023; and

WHEREAS, this \$250 million would have immeasurable impact on our ability to address our pension liabilities, maintain employment levels, and provide the services our taxpayers depend upon; and

WHEREAS, both the \$750 million allocated and the \$250 million requested here had broad, bipartisan support in the House a year ago; and

WHEREAS, HB 5054 created an equitable balance between those with pensions the House considered substantially underfunded and those who had followed best practices to achieve a higher funding ratio; and

WHEREAS, unallocated revenues are available to the State in 2023 to again make this pension assistance equitable by helping those communities struggling with pension costs, but ineligible for the \$750 million:

NOW, THEREFORE BE IT RESOLVED, that Petoskey City Council asks the State of Michigan Legislature and Governor's Office to revisit HB 5054; and

BE IT FURTHER RESOLVED, that the Legislature and Governor give bipartisan support to the inclusion of the \$250 million in the 2023 State budget to be divided between communities including City of Petoskey that meet the best practices required in that Bill.

Said resolution was adopted by the following vote:

AYES: DeMoore, Shiels, Wagner, Walker, Murphy (5)

NAYS: None (0)

Hear Public Comment

Mayor Murphy asked for public comments and heard inquiries if Maple Block Flats comply with ADA standards with the proposed three floors, if Brownfield funding would be traditional or transformational and what Great Lakes Capital typically requests.

Brad Toothaker, Great Lakes Capital Managing Partner/Founder, responded that project has to comply with ADA guidelines and that first-floor units are required to meet requirements, but not third and fourth floors.

Hear City Manager Updates

The City Manager recognized staff with April birthdays and work anniversaries; reviewed that DMB will meet tomorrow night; that Planning Commission meets Wednesday to discuss a rezoning request at 1624 Clarion Avenue from R-2 to I-1 and proposed short-term rental ordinance language; reviewed that the new marina gas tank replacement has occurred and should be operational by the second week of May; that Lisa Denoyer has been promoted to Zoning Administrator; that staff is interviewing three candidates on April 25 for Code Enforcement Officer; reviewed Mitchell Street/US-31 project and that planting and light fixtures will be added and relocating gateway signage; that Bridge Street project began last week and will continue until mid-July; that clock tower work will begin on May 6; that Lt. Matthew Mikulski was promoted from Public Safety Officer and that it was a competitive process; and that Sydney Blair recently was hired as the newest Public Safety Officer and both were sworn in by the City Clerk last week.

Councilmembers inquired on the Zoning Administrator position and if it was a new position and status of contractual planner. The City Manager responded that Ms. Denoyer was previously doing the majority of zoning work and will now focus daily responsibilities on zoning administration work and that her position was posted internally, which lead the Finance Receptionist Account Clerk position vacant; and that this week will be the contractual planner's first Planning Commission meeting and staff needs to give it time to analyze possibilities or reimagine the position.

Approve Board and Commission Appointments – Resolution No. 23-29

Mayor Murphy reviewed that City Council consider the following appointments.

Councilmember DeMoore moved that, seconded by Councilmember Shiels adoption of the following resolution:

WHEREAS, Mayor Murphy requests to appoint City Assessor Allan Berg to serve on the Building Authority Board of Commissioners:

NOW, THEREFORE, BE IT RESOLVED, the City of Petoskey City Council hereby approves the appointment of Allan Berg, City Assessor, to the Building Authority Board of Commissioners to fill a term ending July 2025.

Said resolution was adopted by the following vote:

AYES: DeMoore, Shiels, Wagner, Walker, Murphy (5)

NAYS: None (0)

Resolution No. 23-30

Councilmember Walker moved that, seconded by Councilmember Wagner adoption of the following resolution:

WHEREAS, Mayor Murphy requests to reappoint Chris Hinrichs to serve on the Zoning Board of Appeals:

NOW, THEREFORE, BE IT RESOLVED, the City of Petoskey City Council hereby approves the reappointment of Chris Hinrichs, 506 Elizabeth Street, to the Zoning Board of Appeals for a three-year term ending April 2025.

AYES: DeMoore, Shiels, Wagner, Walker, Murphy (5)

NAYS: None (0)

First Discussion of Proposed Ethics Ordinance

The City Manager reviewed that at the March 6, 2023 meeting, Council reviewed a proposed ordinance creating a code of ethics for every City employee, elected and appointed officials; that the City Attorney drafted the ethics ordinance after receiving input from Council at their March 6 work session; that the first reading was discussed at the March 20 meeting, but resulted in a few requested modifications; and that the modifications have been incorporated and the draft Ethics Ordinance is being reintroduced for discussion and first reading.

City Council will conduct a second discussion with possible adoption at the May 1, 2023 meeting.

Approve NLEA Grant Administrator Contract – Resolution No. 23-31

The City Manager reviewed that the City Park Grill rental rehabilitation project will add 5 year-round affordable rental units in downtown Petoskey; that the CDBG budget includes funds for a third-party Certified Grant Administrator to facilitate the requirements of the grant and work directly with the owner and contractor for successful completion; that the services of a grant administrator were solicited through a bid process; that one bid from Northern Lakes Economic Alliance (NLEA) was timely and one was received after the deadline; and that insurance will be inserted in the contract document.

Councilmembers commented that some items in the contract on page 64 and 71 do not apply and should be removed; heard an inquiry on the audit process with outsourcing this service; a question was posed on whether an errors and omissions section was needed in the contract; inquired who else in the region could have applied; clarified that a second bid was received, but was not timely and that NLEA was not the lowest bid; and heard from those in favor of collaborating with NLEA.

The City Manager responded that the City's auditors will review the City's internal record keeping on this program and that the State will audit accordingly as well; that the State uses a pre-qualification process and distributed to 30-40 State-qualified contractors; and that a lower bid was received and the State representative indicated it was up to him to accept or deny bid, which there were concerns with timeliness and distance of administrator located in Marquette.

Mayor Murphy asked for public comments and heard an inquiry on the total CDBG grant amount and timeline of completing the rehabilitation project.

The City Manager responded that the CDBG grant totaled \$531,790 and owners anticipate to complete the rehabilitation project in approximately one year.

Councilmember Walker moved that, seconded by Councilmember Shiels to adopt the following resolution:

WHEREAS, the City Park Grill Rental Rehab CDBG Grant budget allows for the services of a Certified Grant Administrator (CGA) to facilitate the project and work with the owner, contractor, and City to ensure best practices are followed and in accordance with grant requirements; and

WHEREAS, bids were sought for Certified Grant Administrators that were pre-qualified through MEDC with Northern Lakes Economic Alliance (NLEA) selected with their bid of \$25,170; and

WHEREAS, the City will be billed for the services provided by the CGA in facilitating the grant requirement with these fees being 100% reimbursable to the City through the grant:

NOW, THEREFORE, BE IT RESOLVED that the City of Petoskey City Council hereby authorizes the engagement with NLEA for Certified Grant Administrator duties associated with the City Park Grill Rental Rehab Project and authorizes the City Manager to execute the contract.

Said resolution was adopted by the following vote:

AYES: DeMoore, Shiels, Wagner, Walker, Murphy (5)

NAYS: None (0)

Discuss Proposed Economic Development Incentive Policy

The City Manager reviewed that City Council has discussed the need for an Economic Development Incentive Policy that aligns with Council priorities and assists in addressing community needs; that the purpose of the draft was to initiate a discussion that may determine how best to value projects for potential incentives; that the proposed draft eliminated any scoring matrix, but could add this type of component back in to the policy; and that the draft policy attempts to capture project consideration criteria and priorities with thresholds, targeted objectives and project evaluation factors for consideration.

Councilmembers commented that the draft policy was a great template but needed more time to review; that a work session be scheduled for 5:30pm, May 15, to further discuss draft policy; and tabled discussion.

The City Manager asked for written comments to be directed to him in order to compile for the work session.

Council Comments

Mayor Murphy asked for Council comments and Councilmember Walker commented on Michigan's solid waste policy article in MML's magazine, The Review, and that it is exciting that Emmet County is a model for the State in recycling and composting; and that in honor of Earth Day Emmet County Recycling scheduled tours of the facility at 10am, April 21. Councilmember Shiels commented on Ward 2 resident, Nancy Dwan, and her request for a Citizen Tree Advisory Council, and appreciated her passion and supports the proposal and requested tree inventory document from the Parks and Recreation Department. Councilmember DeMoore asked for an overview of properties with existing incentives that have been extended prior to the next work session; thanked staff and legal counsel for their efforts on Ethics Policy, proposed incentive policy and 2023-2025 Action Plan; and thanked City Council for their constructive and collaborative efforts and sharing perspectives on issues which serves to improve decision making. Mayor Murphy reviewed that he anticipates having appointments to an Art Commission Board next month to discuss Community Art Plan that was approved in the 2023 budget and supported by the DMB which will also include a student and that he is proposing a Mayor's Youth Council to be discussed at the next meeting.

There being no further business to come before the City Council, this April 17, 2023, meeting of the City Council adjourned at 8:37 P.M.

John Murphy, Mayor

Sarah Bek, City Clerk