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Public meetings are being monitored and violations of statutes will be prosecuted.

## CITY COUNCIL

May 18, 2020

1. Call to Order - 7:00 P.M. – Virtual meeting from remote locations
2. Recitation - Pledge of Allegiance to the Flag of the United States of America
3. Roll Call
4. Presentation – Hear presentation by representatives of Dennis, Gartland & Niergarth, Traverse City, concerning Financial Statements and Report of Independent Certified Public Accountants of the annual audit of the City's fiscal year ended December 31, 2019
5. Consent Agenda – Adoption of a proposed resolution that would confirm approval of the following:
  - (a) May 4, 2020 regular session City Council meeting minutes
  - (b) Acknowledge receipt of a report concerning certain administrative transactions since May 4, 2020
6. City Manager Updates
7. Appointments – Consideration of appointments to the Downtown Management Board and Zoning Board of Appeals

8. Old Business

- (a) Second reading and possible adoption of a proposed ordinance that would conditionally rezone properties at 112, 116, 118 and 124 East Mitchell Street from B-1 Local Business and O-S Office Service Districts to B-2A Transitional Business
- (b) Third reading and possible adoption of a proposed ordinance that would amend Sections 1704(c) Off-street Parking Exception to General Provision and 2903(3) Site Requirements in the B-2A Transitional Business District of Appendix A, Zoning Ordinance
- (c) Discuss a potential Brownfield Plan for the Bay and Howard Street proposed hotel development
- (d) Discuss potential air easement appraisal concerning the Bay and Howard Street proposed hotel development

9. New Business

- (a) Discuss a potential PILOT program for Lofts at Lumber Square
- (b) Discuss potential postponement of several 2020 General Fund expenditures
- (c) Adopt proposed resolution that would authorize the City to apply to the MDOT Transportation Economic Development Fund (TEDF) for Category B grant monies for local roads
- (d) Adoption of a proposed resolution that would confirm the approval of an application submitted to the Michigan Liquor Control Commission by Mammoth Distilling LLC, Torch Lake, for a new Off-Premises Tasting Room License to be located at 4181 Main Street, Bay Harbor
- (e) Adoption of a proposed resolution that would establish property tax-millage rates for 2020 and that would authorize appropriations of property-tax revenues to various City funds as previously had been approved as part of the City's 2020 Annual Budget

10. Miscellaneous Public Comments

11. City Council Comments

12. Adjournment



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Audit Report Presentation

**RECOMMENDATION:** That the City Council hear this presentation

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Representatives of Dennis, Gartland & Niegarth, Traverse City, will virtually attend the May 18 City Council meeting to provide information and respond to questions about the Financial Statements and Report of Independent Certified Public Accountants (enclosed with agenda materials) of the annual audit for the City's fiscal year ended December 31, 2019.

The 2019 annual audit can be viewed on the City's website using the following link:  
[www.petoskey.us/audit](http://www.petoskey.us/audit)

sb  
Enclosure

**City of Petoskey**

FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019



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## **Management's Discussion and Analysis**

### **December 31, 2019**

The City of Petoskey's financial statements consists of a series of financial reports. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and presents a longer-term view of the City's finances. Fund financial statements tell how the services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

#### **Financial Highlights**

The City's net position increased by \$2,752,911 or 3.4% in 2019 with the increase made up of the following:

- Governmental net position increased by \$1,281,496.
- Business-type net position increased by \$1,281,644.
- Component units net position increased by \$189,771.

Total revenues and transfers for the year are \$29.8 million and are made up of the following:

- Governmental activities \$12.2 million.
- Business-type activities \$15.4 million.
- Component units activities \$2.2 million.

Total expenses for the year are \$27.0 million and are made up of the following:

- Governmental activities \$10.9 million.
- Business-type activities \$14.1 million.
- Component units activities \$2.0 million.

The General Fund on a current financial resources basis experienced an increase of \$341,068 in fund balance resulting in a total fund balance at year-end of \$5,850,048.

#### **Project Highlights**

In 2019 the Michigan Department of Transportation (MDOT) reconstructed a portion of US-31 in Petoskey, which included shifting the highway away from the bluff along Lake Michigan. The project occurred over most of the year and required several traffic detours through the City. Due to this disruption, the City deferred any unrelated street, water, sewer and electric projects until the State's project was completed.

However, as part of MDOT's project the City performed four related projects that included; Water main and sewer main upgrades within a portion of US-31 and a reconfiguration of the Lewis Street intersection with US-31. The Lewis Street reconfiguration included work in the Arlington Park and adjoining parking lot that included landscaping, sidewalks and lighting. The last item was a new traffic signal at the intersection of MacDonald Drive and US-31.

The electric utility continued with upgrades to the underground system in various locations including; Bay View Association, Highland Drive, Regent Drive and Valley View. A shoreline protection project was also performed in Bayfront Park to protect an electric line from shoreline erosion.

## **Financial Statement Presentation - continued**

In Parks and Recreation an all wood stair tower connecting Bayfront Park to Sunset Park was replaced with a steel structure and similar to the stair tower that connects Michigan Street to the Bear River Valley, located near the Mitchell Street Bridge.

### *Overview of Statements*

The financial statements provide two views of the City's financial position. Government-wide statements are the top level which summarizes all City funds into two statements using the full accrual method of accounting. This method of accounting is similar to private sector for profit accounting.

Government-wide statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes: assets, liabilities, deferred outflows and inflows and the resulting difference between the two called net positions. Changes in net position can be reviewed to determine financial strength with increases to net position perceived as a sign of improving condition.

The Statement of Activities presents revenues and expenses (including depreciation) that are the underlying cause of changes in net position. Capital projects are excluded from this statement since they are included in the Statement of Net Position as additions to capital assets.

Fund financial statements under GASB Statement 34 separate funds into major and nonmajor categories. Major funds focus on funds with a large amount of financial activities which results in the inclusion of more detailed information. Governmental Funds for the City of Petoskey include the following major funds:

- General Fund
- Right of Way Fund

Non major funds are smaller funds with less activity and are consolidated into one column in the fund financial statements. Additional and more detailed information on nonmajor funds is presented after the notes to the financial statements.

### *Fund Type Statements*

The City's funds are organized on the basis of individual funds with each fund having a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Funds are classified as governmental, proprietary or fiduciary in nature.

Governmental funds make up the funds included within the governmental activities column of the government-wide statements discussed above except for the internal service fund (Motor Pool) that is included in government-wide statements and is not a governmental fund. Governmental funds utilize a modified accrual basis of accounting that focuses on more available and spendable resources and expenses like debt payments and capital purchases. Long-term debt and depreciation are not recorded under the modified accrual basis of accounting.

This varies from the full accrual basis of accounting used in the government-wide statements that records the purchase of capital items as assets and depreciates them over time and records long-term debt as a liability reducing the principal portion from the liability when paid and only expensing interest. There are also other less significant differences between the two accounting methods.

## **Financial Statement Presentation - continued**

Proprietary funds use the full accrual method of accounting for both government-wide and fund level financial statements. There are two types of proprietary funds: enterprise and internal service funds.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where costs for goods and services provided to the general public are recovered primarily through user charges. The City's enterprise funds include the Electric, Water and Sewer, and Downtown Management Parking Funds, although the Downtown Management Parking Fund is included as a component unit.

Internal service funds are like enterprise funds except that they only provide goods or services to City departments and agencies. The City's internal service fund is the Motor Pool Fund. Internal service funds are consolidated into the governmental activities in the government-wide statements and are presented separately in the fund level statements.

Component units are separate legal entities for which the City has some level of financial accountability and oversight control. Component units are shown in a separate column of the government-wide financial statements. The City's component units include the Tax Increment Finance Authority, Library and Downtown Management Parking Funds. The City also has a fiduciary component unit for the Defined Contribution Pension Trust Fund that is shown as a separate column of the fiduciary financial statements. Separate financial statements for the component units are not required and none are issued.

## Financial Analysis - continued

### Summary of Net Position December 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 12,020,669	\$ 10,434,435	\$ 22,435,422	\$ 20,822,511	\$ 34,456,091	\$ 31,256,946
Capital assets	22,749,003	23,416,676	40,240,886	41,611,535	62,989,889	65,028,211
Total assets	34,769,672	33,851,111	62,676,308	62,434,046	97,445,980	96,285,157
Deferred outflows of resources	87,341	1,491,184	106,914	549,822	194,255	2,041,006
Total assets and deferred outflows of resources	34,857,013	35,342,295	62,783,222	62,983,868	97,640,235	98,326,163
<b>Liabilities</b>						
Current liabilities	356,232	501,464	1,315,008	1,684,691	1,671,240	2,186,155
Non-current liabilities	4,157,816	5,929,596	11,052,950	12,212,774	15,210,766	18,142,370
Total liabilities	4,514,048	6,431,060	12,367,958	13,897,465	16,882,006	20,328,525
Deferred inflows of resources	244,266	94,032	69,328	22,111	313,594	116,143
<b>Net position</b>						
Invested in capital assets, net of related debt	21,637,391	22,742,070	29,732,632	30,414,333	51,370,023	53,156,403
Restricted	4,777,503	3,609,951	3,167,779	3,139,139	7,945,282	6,749,090
Unrestricted	3,683,805	2,465,182	17,445,525	15,510,820	21,129,330	17,976,002
Total net position	30,098,699	28,817,203	50,345,936	49,064,292	80,444,635	77,881,495
Total liabilities, deferred inflows of resources and net position	\$ 34,857,013	\$ 35,342,295	\$ 62,783,222	\$ 62,983,868	\$ 97,640,235	\$ 98,326,163

Total net position of the City is \$80,444,635 which includes \$52,236,936 in capital assets net of debt. Capital assets are largely made up of electric, water, sewer and street systems assets.

### *Common Effects to Net Position*

There are a number of transactions in the normal course of business that will affect the comparability of the Summary of Net Position presentation.

## **Financial Analysis - continued**

The net result of business activities for the year will impact (increase/decrease) current assets and/or net position.

Borrowing capital will increase current assets and long-term debt.

Spending of borrowed proceeds on capital projects will reduce current assets and increase capital assets while having no impact on invested in capital assets, net of debt.

Spending non-borrowed current assets on capital projects will reduce current assets and increase capital assets while reducing unrestricted net position and increasing invested in capital assets net of debt.

Increases in the actuarial estimated future pension liability will increase long-term liabilities, and related deferred outflows of resources, and reduce unrestricted net position.

Principal payment on debt will reduce current assets, long-term debt and unrestricted net position while increasing invested in capital assets, net of related debt.

The reduction of capital assets due to annual depreciation will reduce capital assets and invested in capital assets, net of debt.

## Financial Analysis - continued

### Changes in Net Position December 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,187,606	\$ 1,992,256	\$ 16,266,792	\$ 16,301,603	\$ 18,454,398	\$ 18,293,859
Operating grants and contributions	1,355,499	1,027,313	178,024	178,069	1,533,523	1,205,382
Capital grants and contributions	120,144	539,539	214,803	116,335	334,947	655,874
	<u>3,663,249</u>	<u>3,559,108</u>	<u>16,659,619</u>	<u>16,596,007</u>	<u>20,322,868</u>	<u>20,155,115</u>
General revenues:						
Property taxes	5,742,115	5,657,831	-	-	5,742,115	5,657,831
State shared revenue	555,391	535,035	-	-	555,391	535,035
Investment earnings	206,681	148,175	292,899	178,771	499,580	326,946
Unrealized gain (loss) on investments	3,059	(694)	39,244	(33,948)	42,303	(34,642)
	<u>6,507,246</u>	<u>6,340,347</u>	<u>332,143</u>	<u>144,823</u>	<u>6,839,389</u>	<u>6,485,170</u>
Total revenues	<u>10,170,495</u>	<u>9,899,455</u>	<u>16,991,762</u>	<u>16,740,830</u>	<u>27,162,257</u>	<u>26,640,285</u>
<b>Expenses</b>						
Program expenses						
Legislative	7,362	8,277	-	-	7,362	8,277
General government	1,805,658	1,627,625	-	-	1,805,658	1,627,625
Public safety	3,009,734	2,872,954	-	-	3,009,734	2,872,954
Public works	3,571,968	3,916,894	-	-	3,571,968	3,916,894
Health and social services	11,069	17,528	-	-	11,069	17,528
Recreation and cultural	2,097,676	1,937,687	-	-	2,097,676	1,937,687
Other	1,934	1,735	-	-	1,934	1,735
Interest on long-term debt	82,979	86,317	-	-	82,979	86,317
Unallocated depreciation	292,051	267,027	-	-	292,051	267,027
Water and sewer	-	-	4,537,309	4,461,681	4,537,309	4,461,681
Electric	-	-	9,544,377	9,883,552	9,544,377	9,883,552
Total expenses	<u>10,880,431</u>	<u>10,736,044</u>	<u>14,081,686</u>	<u>14,345,233</u>	<u>24,962,117</u>	<u>25,081,277</u>
Changes in net position before transfers	(709,936)	(836,589)	2,910,076	2,395,597	2,200,140	1,559,008
Transfers	<u>1,991,432</u>	<u>1,847,972</u>	<u>(1,628,432)</u>	<u>(1,567,272)</u>	<u>363,000</u>	<u>280,700</u>
Changes in net position	1,281,496	1,011,383	1,281,644	828,325	2,563,140	1,839,708
Net position - beginning of year	28,817,203	27,805,820	49,064,292	48,235,967	77,881,495	76,041,787
Net position - end of year	<u>\$ 30,098,699</u>	<u>\$ 28,817,203</u>	<u>\$ 50,345,936</u>	<u>\$ 49,064,292</u>	<u>\$ 80,444,635</u>	<u>\$ 77,881,495</u>



## **Financial Analysis - continued**

Total revenues of \$10,170,495 for governmental activities during 2019 were \$271,040 more than the \$9,899,455 during 2018. The operating grants and contributions in Governmental Activities totaled \$1,355,499 for 2019, an increase of \$328,166 from 2018's \$1,027,313. Capital grants and contributions decreased by \$419,395 over 2018's \$539,539 to \$120,144 in 2019. Property tax totaled \$5,742,115 in 2019, up \$84,284 from 2018's total of \$5,657,831. The remaining change is due to an approximate increase of \$195,000 in charges for services, an increase of approximately \$20,000 in state revenue sharing, and an increase of approximately \$59,000 in investment earnings.

GASB 68 requires employers to report net position benefits as a liability in the statement of net position, which amounts to \$4,570,283 city wide (including Library) at year end 2019. Additional pension information required by GASB 68 may be found in Note M of the financial statements.

Charges for services in Business-type Activities totaled \$16,266,792 in 2019, a decrease of \$34,811 from \$16,301,603 in 2018. Water and Sewer Fund monthly billing charges increased during the year by a total of \$489,589, while the Electric Fund monthly billing charges decreased by \$393,786. Water usage realized a net decrease of approximately 58,386 cubic feet in 2019 compared to 2018, while sewer usage realized a net increase of approximately 16,876 cubic feet. The decrease in monthly billing charges to electric customers results from a decrease in use of 6,961,581 kWhs from the previous year.

Revenues from all sources total \$27,162,257, of which \$10,170,495 is from governmental activities and \$16,991,762 from business-type activities. Total revenues from governmental activities include \$5,742,115 in property taxes accounting for 56% of the funds and \$2,187,606, or 22% from charges for services. Total revenue for business-type activity receives the vast majority of revenues through charges for services totaling \$16,266,792 during 2019.

Expenses under the full accrual basis of accounting for governmental activities totaled \$10,880,431 which includes depreciation on such items as buildings and infrastructure amounting to \$1,780,454. Total expense does not include capital asset items such as street and sidewalk improvements. Public safety accounts for \$3,009,734 or 28% of expenses while public works totals \$3,571,968 or 33%. Expenses for general government were \$1,805,658 or 17% of expenses and for recreation and cultural were \$2,097,676, or 19% of expenses.

Expenses for business-type activities total \$14,081,686 which consists of \$9,544,377 or 68% from the electric system and \$4,537,309 or 32% from the water and sewer systems. Within the electric system \$6,404,675 or 67% of the expense is for purchased power. Total water and sewer system costs of \$5,556,209 are broken down between the two at \$2,276,620 or 41% water and \$3,279,589 or 59% sewer.

## General Fund Budgetary Highlights

Total General Fund revenues of \$6,805,200 were more than total budgeted revenues of \$6,510,200 by \$295,000 or 5%. Actual revenues increased from 2018 by \$543,432.

Total General Fund expenditures of \$8,415,064 were \$10,236 lower than total budgeted expenditures of \$8,425,300. Total expenditures for 2019 were higher than the 2018 total of \$7,648,509 by \$766,555 or 10%. The difference is due primarily to a 2019 increase in Public Safety of \$197,597, General Government of \$282,049, Recreation and Culture of \$142,053 and an increase in Capital Outlay of \$119,484 related to work complete for the Marina, Penn Park restrooms and City Hall brick work.

## Capital Assets and Debt Administration

### Capital Assets

As of year-end the City of Petoskey had \$62,989,889 invested in capital assets as reflected in the following schedule:

December 31 (net of depreciation),

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and land rights	\$ 4,042,213	\$ 4,042,213	\$ -	\$ -	\$ 4,042,213	\$ 4,042,213
Land improvements	2,389,519	2,495,657	-	-	2,389,519	2,495,657
Buildings	2,858,042	2,631,012	-	-	2,858,042	2,631,012
Equipment	3,025,013	3,093,658	-	-	3,025,013	3,093,658
Streets and sidewalks	10,434,216	11,154,136	-	-	10,434,216	11,154,136
Electric system	-	-	13,969,946	14,604,205	13,969,946	14,604,205
Water System	-	-	10,771,328	11,088,314	10,771,328	11,088,314
Sewer system	-	-	15,499,612	15,919,016	15,499,612	15,919,016
Total capital assets	<u>\$ 22,749,003</u>	<u>\$ 23,416,676</u>	<u>\$ 40,240,886</u>	<u>\$ 41,611,535</u>	<u>\$ 62,989,889</u>	<u>\$ 65,028,211</u>

## Capital Assets and Debt Administration - continued

Major capital asset additions for 2019 include:

### Governmental Activities

Buildings	\$432,685
Street reconstruction projects	65,202
Sidewalks	206,511
Equipment	428,572

### Business-Type Activities

Electric system improvement	\$ 522,760
Water system improvements	622,160

## Bond Debt

The City had \$10,897,065 of face value in outstanding bond debt at year-end which is distributed in the following debt schedule:

### Debt Schedule

December 31,

	<u>2019</u>	<u>2018</u>
<b>Governmental Activities</b>		
General obligation bonds:		
Municipal facilities - marina	<u>\$ 542,065</u>	<u>\$ 641,626</u>
<b>Business-Type Activities</b>		
Revenue bonds:		
Sewer system improvements	3,645,000	4,025,000
Water system improvements	4,820,000	5,000,000
Sewer system improvements	<u>1,890,000</u>	<u>2,005,000</u>
Total	<u>10,355,000</u>	<u>11,030,000</u>
<b>Total bond debt</b>	<u><u>\$ 10,897,065</u></u>	<u><u>\$ 11,671,626</u></u>

Principal payments on bonds in the amount of \$99,561 for governmental activities and \$675,000 for business-type activities were made in 2019.

## **Economic Factors**

The City of Petoskey's three largest sources of revenue include property taxes, revenues received from the State of Michigan and utility charges. The economic forecast for the community is dependent on these three revenue sources.

Due to a general decline in the real estate market, including a large volume of foreclosures within the City, the City's total taxable value decreased by 10% in 2010, 6.4% in 2011, and 3.4% in 2012. After three straight years of declining property tax values, the taxable values increased a total of 8.9% in the next five years and 2.8% in 2018 and 3.4% in 2019. The City has not been able to take full advantage of the increases due to the State's low inflation factor for recent years. However, the State's 2018 inflation rate of 2.1% did not require the City's millage rate to be rolled back, which resulted in a little larger increase in tax revenue than budgeted. However, the 2019 inflation factor of 2.4% required a rollback of millage rates. Property values are continuing to rise at a higher rate each year in the City as well as the State, which is a positive economic indicator. With growth in property taxes restricted by the State's rate of inflation, higher rates will help the City's overall financial condition.

Revenues received from the State, which include revenue sharing and transportation funds, are affected as well by current economic conditions along with allocation to local units established by the legislature. Revenue sharing amounts are dependent on the collection of sales tax, which tend to go down when the economy is slow with the reverse being true when the economy is good. Transportation funds are derived through gas taxes and while they are affected by the economy they are more affected by the price of oil and resulting gas prices that do not always follow certain economic conditions. Improvement in the State's economy has affected state revenue sharing as it is steadily increasing. State revenue sharing in the General Fund increased in 2019 by 3.8% or \$20,356 compared to a 2% decrease in 2018. Gas tax revenue in the Major and Local Street Funds increased by \$66,701 or 11% from the previous year and future years are expected to continue to increase as the State increased the gas tax on January 1, 2018 with rates to increase annually.

Utility charges for electric, water and sewer services tend to fluctuate based on weather conditions more so than any other factor. For 2019 the City saw increased usage in all three utility systems. The increase is due to the hotter the usual temperatures last summer, along with drier summer conditions. Revenues are correspondingly up due to the increase in usage along with revised rates. Utility rates were revised in 2019, which is the first revision since 2014. There are scheduled utility rate changes for all three utilities for each of the next four years.

Wholesale electric power purchases increased for several years, but continued efforts in purchasing long term power contracts, has resulted in declining costs and customers are realizing a savings as reduced purchased power costs are passed on to the customers. Variances in wholesale power costs, either increases or decreases are passed on to the customer in the way of a power cost adjustment on their monthly utility bill. Federal and State regulations tend to affect power costs most often, usually due to new regulations on emissions at coal fired plants or by way of state regulations such as, requiring certain levels of renewable energy sources by electric utilities.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Director of Finance at 101 E. Lake Street, Petoskey, MI 49770.

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Heidi M. Wendel, CPA  
Shelly A. Ashmore, CPA  
James M. Taylor, CPA  
Trina B. Edwards, CPA  
John A. Blair, CPA  
James V. Cusenza, CPA  
Laurie A. Bamberg, CPA

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Members of City Council and City Manager  
City of Petoskey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the *City of Petoskey* (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Petoskey as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *x*, and the required supplementary information on pages 48 - 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information - Combining Financial Statements*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Dennis, Gartland & Niergarth*

May 11, 2020

**City of Petoskey**  
**STATEMENT OF NET POSITION**  
December 31, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
<b>ASSETS</b>						
Current assets						
Cash and equivalents	\$ 10,727,030	\$ 7,323,951	\$ 18,050,981	\$ 763,292	\$ 974,945	\$ 694,231
Investments	578,407	6,964,787	7,543,194	198,166	-	-
Receivables						
Special assessments	29,946	-	29,946	-	-	-
Accounts receivable	5,895	2,088,308	2,094,203	78,227	387	26
Due from fiduciary funds	319,657	-	319,657	-	43,186	-
Due from other governments	154,685	-	154,685	-	-	-
Inventory	<u>205,049</u>	<u>1,353,667</u>	<u>1,558,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>12,020,669</u>	<u>17,730,713</u>	<u>29,751,382</u>	<u>1,039,685</u>	<u>1,018,518</u>	<u>694,257</u>
Non-current assets						
Restricted cash and investments						
Customer deposits	-	216,113	216,113	-	-	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond covenants	-	2,780,374	2,780,374	-	-	-
MPPA energy restrictions	-	477,300	477,300	-	-	-
MPPA working capital advance	-	459,999	459,999	-	-	-
Capital assets	50,735,535	82,884,373	133,619,908	4,169,633	7,451,878	-
Less accumulated depreciation	<u>(27,986,532)</u>	<u>(42,643,487)</u>	<u>(70,630,019)</u>	<u>(1,824,302)</u>	<u>(3,721,765)</u>	<u>-</u>
Total non-current assets	<u>22,749,003</u>	<u>44,945,595</u>	<u>67,694,598</u>	<u>2,345,331</u>	<u>3,730,113</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on debt refunding	2,155	97,459	99,614	8,128	47,918	-
Deferred outflows for pension obligation	<u>85,186</u>	<u>9,455</u>	<u>94,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>87,341</u>	<u>106,914</u>	<u>194,255</u>	<u>8,128</u>	<u>47,918</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 34,857,013</u>	<u>\$ 62,783,222</u>	<u>\$ 97,640,235</u>	<u>\$ 3,393,144</u>	<u>\$ 4,796,549</u>	<u>\$ 694,257</u>

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF NET POSITION- Continued

December 31, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 111,241	\$ 397,628	\$ 508,869	\$ -	\$ 5,866	\$ 10,802
Accrued expenses	142,580	56,562	199,142	17,249	30,850	6,443
Unearned revenue	-	-	-	-	38,798	-
Accrued interest	4,080	-	4,080	-	-	-
Payable from restricted assets						
Current portion of revenue						
bonds	-	690,000	690,000	-	-	-
Accrued interest	-	170,818	170,818	-	-	-
Bonds payable, due within one						
year	98,331	-	98,331	156,669	210,000	-
Total current liabilities	356,232	1,315,008	1,671,240	173,918	285,514	17,245
Noncurrent liabilities						
Payable from restricted assets						
Customer deposits	-	177,383	177,383	-	-	-
Long-term accrued expenses	37,918	-	37,918	-	-	-
Estimated liability for landfill						
post-closure care costs	85,000	-	85,000	-	-	-
Net pension obligation	3,561,527	959,854	4,521,381	-	48,902	-
Bonds payable, net	473,371	9,915,713	10,389,084	1,903,130	1,999,724	-
Total noncurrent						
liabilities	4,157,816	11,052,950	15,210,766	1,903,130	2,048,626	-
Total liabilities	4,514,048	12,367,958	16,882,006	2,077,048	2,334,140	17,245
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows for pension						
obligation	244,266	69,328	313,594	-	6,454	-
<b>NET POSITION</b>						
Invested in capital assets, net of debt	21,637,391	29,732,632	51,370,023	293,660	1,568,310	-
Restricted						
Refuse collection	298,956	-	298,956	-	-	-
Marina	865,407	-	865,407	-	-	-
Streets and improvements	3,491,369	-	3,491,369	-	-	-
Downtown programs and services	121,771	-	121,771	-	-	-
Debt service	-	-	-	-	273,000	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond indentures	-	1,919,556	1,919,556	-	-	-
MPPA energy expenses	-	477,300	477,300	-	-	-
TIFA expenses	-	-	-	1,022,436	-	-
Library	-	-	-	-	614,645	-
Unrestricted	3,683,805	17,445,525	21,129,330	-	-	677,012
Total net position	30,098,699	50,345,936	80,444,635	1,316,096	2,455,955	677,012
Total liabilities, deferred						
inflows of resources						
and net position	\$ 34,857,013	\$ 62,783,222	\$97,640,235	\$3,393,144	\$ 4,796,549	\$ 694,257

The accompanying notes are an integral part of these financial statements.



# City of Petoskey

## STATEMENT OF ACTIVITIES

Year ended December 31, 2019

Functions/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
Primary Government										
Governmental activities										
Legislative	\$ 7,362	\$ -	\$ -	\$ -	\$ (7,362)	\$ -	\$ (7,362)	\$ -	\$ -	\$ -
General government	1,805,658	169,481	-	-	(1,636,177)	-	(1,636,177)	-	-	-
Public safety	3,009,734	26,226	59,739	19,178	(2,904,591)	-	(2,904,591)	-	-	-
Public works	3,571,968	505,841	937,006	100,966	(2,028,155)	-	(2,028,155)	-	-	-
Health and social services	11,069	-	-	-	(11,069)	-	(11,069)	-	-	-
Recreation and cultural	2,097,676	1,486,058	358,754	-	(252,864)	-	(252,864)	-	-	-
Other	1,934	-	-	-	(1,934)	-	(1,934)	-	-	-
Interest on long-term debt	82,979	-	-	-	(82,979)	-	(82,979)	-	-	-
Unallocated depreciation	292,051	-	-	-	(292,051)	-	(292,051)	-	-	-
Total governmental activities	<u>10,880,431</u>	<u>2,187,606</u>	<u>1,355,499</u>	<u>120,144</u>	<u>(7,217,182)</u>	<u>-</u>	<u>(7,217,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities										
Water and sewer	4,537,309	5,839,046	178,024	208,749	-	1,688,510	1,688,510	-	-	-
Electric	9,544,377	10,427,746	-	6,054	-	889,423	889,423	-	-	-
Total business-type activities	<u>14,081,686</u>	<u>16,266,792</u>	<u>178,024</u>	<u>214,803</u>	<u>-</u>	<u>2,577,933</u>	<u>2,577,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,962,117</u>	<u>\$ 18,454,398</u>	<u>\$ 1,533,523</u>	<u>\$ 334,947</u>	<u>(7,217,182)</u>	<u>2,577,933</u>	<u>(4,639,249)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units										
TIFA	\$ 23,951	\$ -	\$ -	\$ -	-	-	-	(23,951)	-	-
Library	1,314,058	166,618	482,338	-	-	-	-	-	(665,102)	-
Downtown Management Parking	708,967	689,856	-	-	-	-	-	-	-	(19,111)
Total component units	<u>\$ 2,046,976</u>	<u>\$ 856,474</u>	<u>\$ 482,338</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,951)</u>	<u>(665,102)</u>	<u>(19,111)</u>
General revenues										
Property taxes					5,742,115	-	5,742,115	407,969	822,386	-
State shared revenue					555,391	-	555,391	-	-	-
Unrestricted interest and investment earnings					206,681	292,899	499,580	10,686	13,580	4,021
Unrealized gain (loss) on investments					3,059	39,244	42,303	30	2,263	-
Transfers					1,991,432	(1,628,432)	363,000	(231,400)	-	(131,600)
Total general revenues and transfers					<u>8,498,678</u>	<u>(1,296,289)</u>	<u>7,202,389</u>	<u>187,285</u>	<u>838,229</u>	<u>(127,579)</u>
Change in net position					1,281,496	1,281,644	2,563,140	163,334	173,127	(146,690)
Net position, beginning of year					28,817,203	49,064,292	77,881,495	1,152,762	2,282,828	823,702
Net position, end of year					<u>\$ 30,098,699</u>	<u>\$ 50,345,936</u>	<u>\$ 80,444,635</u>	<u>\$ 1,316,096</u>	<u>\$ 2,455,955</u>	<u>\$ 677,012</u>

**City of Petoskey**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2019

	General Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 5,242,716	\$ 568,828	\$ 3,485,472	\$ 9,297,016
Investments	578,407	-	-	578,407
Receivables				
Special assessments	-	-	29,946	29,946
Accounts receivable	4,080	14	1,280	5,374
Due from other funds	223,224	93,668	2,765	319,657
Due from other governments	15,000	-	139,685	154,685
Inventory	-	-	184,914	184,914
	<u>-</u>	<u>-</u>	<u>184,914</u>	<u>184,914</u>
Total assets	<u>\$ 6,063,427</u>	<u>\$ 662,510</u>	<u>\$ 3,844,062</u>	<u>\$ 10,569,999</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 81,432	\$ -	\$ 17,885	\$ 99,317
Accrued expenditures	131,947	-	10,122	142,069
	<u>213,379</u>	<u>-</u>	<u>28,007</u>	<u>241,386</u>
Total liabilities	<u>213,379</u>	<u>-</u>	<u>28,007</u>	<u>241,386</u>
<b>FUND BALANCES</b>				
Non-spendable				
Inventory	-	-	184,914	184,914
Restricted	1,164,363	662,510	2,950,630	4,777,503
Committed	-	-	680,511	680,511
Unassigned	4,685,685	-	-	4,685,685
	<u>5,850,048</u>	<u>662,510</u>	<u>3,816,055</u>	<u>10,328,613</u>
Total fund balances	<u>5,850,048</u>	<u>662,510</u>	<u>3,816,055</u>	<u>10,328,613</u>
Total liabilities and fund balances	<u>\$ 6,063,427</u>	<u>\$ 662,510</u>	<u>\$ 3,844,062</u>	<u>\$ 10,569,999</u>

The accompanying notes are an integral part of these financial statements.

## City of Petoskey

### RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2019

**Total Fund Balance - Governmental Funds** \$ 10,328,613

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position, these assets are capitalized and depreciated over their useful lives.

Governmental capital assets	43,819,553
Accumulated depreciation	(23,830,051)

Governmental funds report interest when due, whereas in the statement of net position, interest is accrued on outstanding bonds. (4,080)

Compensated absences (vacations and sick leave) are not due and payable in the current period and therefore, are not reported in the governmental funds' balance sheets. (37,918)

Long-term liabilities, including net pension obligation and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Net pension obligation	(3,561,527)
Deferred outflows of resources for net pension obligation	85,186
Deferred inflows of resources for net pension obligation	(244,266)
Governmental bonds payable, net	(569,546)
Landfill post-closure costs	(85,000)

Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,197,735

**Net Position of Governmental Activities** \$ 30,098,699

# City of Petoskey

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2019

	General Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,984,887	\$ 1,757,227	\$ -	\$ 5,742,114
Special assessments	-	-	101,352	101,352
Licenses and permits	25,090	-	-	25,090
Federal grants	19,178	-	-	19,178
State grants	900,901	-	1,037,972	1,938,873
Contributions from local units	72,983	-	-	72,983
Charges for services	1,486,058	-	-	1,486,058
Fines and forfeits	23,622	-	-	23,622
Interest and investment earnings	145,485	8,611	39,999	194,095
Other	146,996	-	81,694	228,690
	<u>6,805,200</u>	<u>1,765,838</u>	<u>1,261,017</u>	<u>9,832,055</u>
Total revenues				
<b>EXPENDITURES</b>				
Current				
Legislative	7,362	-	-	7,362
General government	1,889,037	-	-	1,889,037
Public safety	3,289,421	-	-	3,289,421
Public works	621,694	-	1,574,549	2,196,243
Health and welfare	14,430	-	-	14,430
Recreational and cultural	2,044,910	-	-	2,044,910
Other	-	1,934	-	1,934
Capital outlay	548,210	-	287,127	835,337
Debt service				
Principal	-	-	260,000	260,000
Interest and fiscal charges	-	-	88,500	88,500
	<u>8,415,064</u>	<u>1,934</u>	<u>2,210,176</u>	<u>10,627,174</u>
Total expenditures				
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,609,864)</u>	<u>1,763,904</u>	<u>(949,159)</u>	<u>(795,119)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	2,324,200	-	1,967,300	4,291,500
Operating transfers out	(504,868)	(1,600,000)	(436,300)	(2,541,168)
Transfers from component units	131,600	-	231,400	363,000
	<u>1,950,932</u>	<u>(1,600,000)</u>	<u>1,762,400</u>	<u>2,113,332</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCES</b>	341,068	163,904	813,241	1,318,213
<b>Fund balance, beginning of year</b>	<u>5,508,980</u>	<u>498,606</u>	<u>3,002,814</u>	<u>9,010,400</u>
<b>Fund balance, end of year</b>	<u>\$ 5,850,048</u>	<u>\$ 662,510</u>	<u>\$ 3,816,055</u>	<u>\$ 10,328,613</u>

The accompanying notes are an integral part of these financial statements.

## City of Petoskey

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year ended December 31, 2019

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,318,213</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation.

Expenditures for capital assets	889,592
Current year depreciation	(1,325,746)

Net change in the pension obligation and related deferred outflows and inflows of resources.	114,332
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Bonds proceeds are shown as other financing sources in the funds, but are shown as a long-term liability in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	99,561
Amortization of bond premium and deferred loss on refunding	5,498

Interest on long-term debt is recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	23
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In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time paid was less than the amounts earned.	(458)
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Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The net revenue (expense) of the internal service funds is included in governmental activities in the statement of activities.	<u>180,481</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,281,496</u></u></b>
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# City of Petoskey

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Totals</u>	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current assets				
Cash and equivalents	\$ 5,124,673	\$ 2,199,278	\$ 7,323,951	\$ 1,430,014
Investments	3,301,174	3,663,613	6,964,787	-
Accounts receivable	1,383,673	704,635	2,088,308	521
Inventory	<u>1,098,399</u>	<u>255,268</u>	<u>1,353,667</u>	<u>20,135</u>
Total current assets	<u>10,907,919</u>	<u>6,822,794</u>	<u>17,730,713</u>	<u>1,450,670</u>
Noncurrent assets				
Restricted cash and investments				
Customer deposits	166,983	49,130	216,113	-
Sewage service covenants	-	770,923	770,923	-
Revenue bond covenants	-	2,780,374	2,780,374	-
MPPA energy charges	477,300	-	477,300	-
MPPA working capital advance	459,999	-	459,999	-
Capital assets	34,908,365	47,976,008	82,884,373	6,915,981
Less accumulated depreciation	<u>(20,938,419)</u>	<u>(21,705,068)</u>	<u>(42,643,487)</u>	<u>(4,156,480)</u>
Total noncurrent assets	<u>15,074,228</u>	<u>29,871,367</u>	<u>44,945,595</u>	<u>2,759,501</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on debt refunding	-	97,459	97,459	-
Deferred outflows for pension obligation	<u>-</u>	<u>9,455</u>	<u>9,455</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>106,914</u>	<u>106,914</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 25,982,147</u>	<u>\$ 36,801,075</u>	<u>\$ 62,783,222</u>	<u>\$ 4,210,171</u>

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

December 31, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Totals</u>	
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 258,209	\$ 139,419	\$ 397,628	\$ 11,925
Accrued expenses	<u>39,808</u>	<u>16,754</u>	<u>56,562</u>	<u>511</u>
Total current liabilities	<u>298,017</u>	<u>156,173</u>	<u>454,190</u>	<u>12,436</u>
<b>CURRENT LIABILITIES (payable from restricted assets)</b>				
Current portion of revenue bonds	-	690,000	690,000	-
Accrued interest	<u>-</u>	<u>170,818</u>	<u>170,818</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>860,818</u>	<u>860,818</u>	<u>-</u>
<b>NONCURRENT LIABILITIES</b>				
Payable from restricted assets				
Customer deposits	166,983	10,400	177,383	-
Net pension obligation	355,790	604,064	959,854	-
Revenue bonds (net current portion and unamortized premiums)	<u>-</u>	<u>9,915,713</u>	<u>9,915,713</u>	<u>-</u>
Total noncurrent liabilities	<u>522,773</u>	<u>10,530,177</u>	<u>11,052,950</u>	<u>-</u>
Total liabilities	<u>820,790</u>	<u>11,547,168</u>	<u>12,367,958</u>	<u>12,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows for pension obligation	<u>31,513</u>	<u>37,815</u>	<u>69,328</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets, net of debt	13,969,946	15,762,686	29,732,632	-
Restricted for sewage service covenants	-	770,923	770,923	-
Restricted for revenue bond indentures	-	1,919,556	1,919,556	-
Restricted for MPPA energy expenses	477,300	-	477,300	-
Unrestricted	<u>10,682,598</u>	<u>6,762,927</u>	<u>17,445,525</u>	<u>4,197,735</u>
Total net position	<u>25,129,844</u>	<u>25,216,092</u>	<u>50,345,936</u>	<u>4,197,735</u>
Total liabilities, deferred inflows, and net position	<u>\$ 25,982,147</u>	<u>\$ 36,801,075</u>	<u>\$ 62,783,222</u>	<u>\$ 4,210,171</u>

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

Year ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
<b>Operating revenue</b>				
Charges for services	\$ 10,058,580	\$ 5,839,046	\$ 15,897,626	\$ 1,230,947
<b>Operating expenses</b>				
Purchased power	6,404,675	-	6,404,675	-
Personnel services	1,012,373	1,003,477	2,015,850	14,046
Contractual services	538,216	735,879	1,274,095	346,240
Supplies	7,548	8,334	15,882	137,828
Materials	186,443	432,152	618,595	-
Heat, light and power	825	505,897	506,722	-
Depreciation	1,139,749	1,358,550	2,498,299	454,707
Rent	27,071	70,013	97,084	-
Total operating expenses	9,316,900	4,114,302	13,431,202	952,821
<b>OPERATING INCOME</b>	741,680	1,724,744	2,466,424	278,126
<b>Nonoperating revenues</b>				
Unrestricted interest and investment earnings	133,444	159,455	292,899	12,587
Unrealized gain (loss) from investments	23,824	15,420	39,244	3,059
Rent	145,900	-	145,900	-
Sewage service covenant	-	178,024	178,024	-
Construction	47,289	37,100	84,389	-
Miscellaneous	175,977	-	175,977	8,609
Total nonoperating revenues	526,434	389,999	916,433	24,255
<b>Nonoperating expenses</b>				
Personnel services	19,560	-	19,560	-
Contractual services	132,728	-	132,728	-
Supplies	16,860	-	16,860	-
Materials	12,252	-	12,252	-
Heat, light and power	28,807	-	28,807	-
Interest	-	412,476	412,476	-
Depreciation	17,270	-	17,270	-
Other expenses	-	10,531	10,531	-
Total nonoperating expenses	227,477	423,007	650,484	-
Net nonoperating revenues (expenses)	298,957	(33,008)	265,949	24,255
<b>INCOME BEFORE OPERATING TRANSFERS</b>	1,040,637	1,691,736	2,732,373	302,381
<b>Other financing uses</b>				
Operating transfers in	387,568	-	387,568	-
Operating transfers out	(997,100)	(1,018,900)	(2,016,000)	(121,900)
Total transfers	(609,532)	(1,018,900)	(1,628,432)	(121,900)
<b>Capital contributions</b>	6,054	171,649	177,703	-
<b>CHANGE IN NET POSITION</b>	437,159	844,485	1,281,644	180,481
<b>Net position, beginning of year</b>	24,692,685	24,371,607	49,064,292	4,017,254
<b>Net position, end of year</b>	\$ 25,129,844	\$ 25,216,092	\$ 50,345,936	\$ 4,197,735

The accompanying notes are an integral part of these financial statements.



# City of Petoskey

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 10,064,459	\$ 5,804,245	\$ 15,868,704	\$ 1,231,155
Cash payments to suppliers for goods and services	(7,217,633)	(1,991,028)	(9,208,661)	(479,736)
Cash payments to employees for services	(1,023,291)	(1,008,248)	(2,031,539)	(13,968)
Cash payments to other funds for services	(27,071)	(70,013)	(97,084)	-
Net cash from operating activities	<u>1,796,464</u>	<u>2,734,956</u>	<u>4,531,420</u>	<u>737,451</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Operating transfers in/(out) to other funds	(609,532)	(1,018,900)	(1,628,432)	(121,900)
Increase/(Decrease) in customer deposits	69,794	(500)	69,294	-
Net cash provided by rental, construction and miscellaneous nonoperating activities	<u>189,337</u>	<u>176,724</u>	<u>366,061</u>	<u>-</u>
Net cash from non-capital and related financing activities	<u>(350,401)</u>	<u>(842,676)</u>	<u>(1,193,077)</u>	<u>(121,900)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(522,760)	(622,160)	(1,144,920)	(243,377)
Proceeds from sale of fixed assets	-	-	-	28,797
Principal paid on revenue bonds and contracts payable	-	(675,000)	(675,000)	-
Interest paid on revenue bonds and contracts payable	-	(425,038)	(425,038)	-
Capital contributed by customers	<u>6,054</u>	<u>171,649</u>	<u>177,703</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(516,706)</u>	<u>(1,550,549)</u>	<u>(2,067,255)</u>	<u>(214,580)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale (purchase) of investments, net	(322,589)	(282,119)	(604,708)	3,059
Interest received	<u>133,445</u>	<u>159,457</u>	<u>292,902</u>	<u>12,587</u>
Net cash from investing activities	<u>(189,144)</u>	<u>(122,662)</u>	<u>(311,806)</u>	<u>15,646</u>
<b>NET CHANGE IN CASH</b>	<b>740,213</b>	<b>219,069</b>	<b>959,282</b>	<b>416,617</b>
Cash, beginning of year	<u>4,551,443</u>	<u>4,597,506</u>	<u>9,148,949</u>	<u>1,013,397</u>
Cash, end of year	<u>\$ 5,291,656</u>	<u>\$ 4,816,575</u>	<u>\$ 10,108,231</u>	<u>\$ 1,430,014</u>
Current assets	\$ 5,124,673	\$ 2,199,278	\$ 7,323,951	\$ 1,430,014
Restricted assets	<u>166,983</u>	<u>2,617,297</u>	<u>2,784,280</u>	<u>-</u>
Totals	<u>\$ 5,291,656</u>	<u>\$ 4,816,575</u>	<u>\$ 10,108,231</u>	<u>\$ 1,430,014</u>

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS- Continued

Year ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 741,680	\$ 1,724,744	\$ 2,466,424	\$ 278,126
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,157,019	1,358,550	2,515,569	454,707
(Increase) decrease in accounts receivable	5,879	(34,801)	(28,922)	208
(Increase) decrease in inventory	810	(5,233)	(4,423)	1,680
Increase in prepaid expenses	(23,980)	-	(23,980)	-
Increase (decrease) in accounts payable	(74,026)	(303,530)	(377,556)	2,651
Increase (decrease) in accrued expenses	3,177	2,252	5,429	79
Increase (decrease) in net pension obligation and related deferred outflows	(14,095)	(7,026)	(21,121)	-
Total adjustments	1,054,784	1,010,212	2,064,996	459,325
Net cash provided by operating activities	\$ 1,796,464	\$ 2,734,956	\$ 4,531,420	\$ 737,451

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF FIDUCIARY NET POSITION

December 31, 2019

	Pension Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash	\$ -	\$ 1,006,994
Investments	204,963	-
Receivables		
Taxes	-	3,339,897
	<u>-</u>	<u>3,339,897</u>
Total assets	<u>\$ 204,963</u>	<u>\$ 4,346,891</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	319,657
Due to component unit	-	43,186
Due to other governmental units	-	3,984,048
	<u>-</u>	<u>3,984,048</u>
Total liabilities	-	4,346,891
<b>NET POSITION</b>		
Held in trust for pension benefits and other purposes	<u>204,963</u>	<u>-</u>
Total liabilities and net position	<u>\$ 204,963</u>	<u>\$ 4,346,891</u>

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended December 31, 2019

	Pension Trust Fund	Custodial Fund
<b>ADDITIONS TO NET POSITION</b>		
Contributions		
Employer	\$ 16,345	\$ -
Net investment earnings		
Interest and unrealized gains (losses)	32,903	-
Property tax collections for other governments	-	23,466,158
Total additions	49,248	23,466,158
<b>DEDUCTIONS FROM NET POSITION</b>		
Distributions/transfers out	-	23,466,158
Total deductions	-	23,466,158
<b>NET CHANGE IN NET POSITION</b>	49,248	-
Net position, beginning of year	155,715	-
Net position, end of year	\$ 204,963	\$ -

The accompanying notes are an integral part of these financial statements.

# City of Petoskey

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Introduction***

The City of Petoskey (the "City") was incorporated November 4, 1924, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (streets and sanitation), health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

#### ***The Financial Reporting Entity***

The City's financial statements include the accounts of all City operations. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, *The Financial Reporting Entity*, the City is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization and (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on this criteria, the City has identified the following blended and discretely presented component units requiring inclusion in the City's financial statements:

#### Blended Component Unit

***City of Petoskey Building Authority*** - The City of Petoskey Building Authority is governed by a three-member board appointed by the City of Petoskey. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to provide financing for the construction of buildings, parking lots, recreational facilities and to acquire the necessary sites for such facilities for the City of Petoskey. Separate financial statements for the Building Authority are not required or issued.

#### Discretely Presented Component Units

***Tax Increment Finance Authority ("TIFA")*** - The Tax Increment Finance Authority, which was established pursuant to the provisions of Public Act 450 of 1980, as amended, is governed by an eight-person board appointed by the City Council. The Finance Authority may issue debt subject to limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of all units' levies which may only be used for activities within the tax increment finance district. Separate financial statements for the Tax Increment Finance Authority are not required or issued.

## NOTES TO FINANCIAL STATEMENTS - Continued

***Library*** - The Petoskey District Library, which was established in 2009 pursuant to the provisions of the District Library Establishment Act MCL 397.171 et seq, is governed by a five-person board appointed by the City. The Library may issue debt, but the tax levy is currently subject to approval by the City Council. Separate financial statements for the District Library are not required or issued.

***Downtown Management Board (Downtown Management/Parking)*** - The Downtown Management Board was established in February of 1994 pursuant to the provisions of Public Act 120 of 1961. By a resolution dated February 1, 2000, responsibilities for operating and maintaining the City's downtown area parking system and facilities were transferred to the Downtown Management Board. Separate financial statements for the Downtown Management Board are not required or issued.

### Fiduciary Component Unit

***Pension Trust Fund*** - The City provides pension benefits for management employees as designated by City Council through a defined contribution plan. The City is legally obligated to make contributions to the pension plan.

### ***Government-Wide and Fund Financial Statements***

The City of Petoskey's basic financial statements include both government-wide (reporting the City as a whole) and the fund financial statements (reporting the City's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from legally separate component units for which the primary government is financially accountable.

#### *Government-Wide Financial Statements*

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Internal service funds are consolidated into the governmental column when presented at the government-wide level. This is because the principal users of the internal service are the City's governmental activities. The net profit/loss in the internal service funds is allocated to the functional activity (public safety, public works, etc.) based upon usage.

In the government-wide statement of net position, both the governmental and business-type activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations, are recognized. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

## NOTES TO FINANCIAL STATEMENTS - Continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

### *Fund Financial Statements*

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses and balances of resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net position; and statements of cash flows (i.e., fund financial statements) for the City's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund types fixed assets, liabilities, revenues or expenses/expenditures.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the City are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The City applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS - Continued

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances payable. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on the accrual basis which is consistent with the accounting measurement objectives of the funds.

### ***Fund Types and Major Funds***

#### *Activities in Major Funds*

##### Governmental Funds

**General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Revenues are primarily derived from property taxes and State shared revenue.

**Right-of-Way Fund** - The Right-of-Way Fund is used to account for the disposition of tax revenues restricted for right-of-way associated costs. Transfers are made to other funds, primarily street funds, to reimburse their costs.

##### Proprietary (Enterprise) Funds

**Electric Fund** - The Electric Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing electricity to the general public are recovered through user charges.

**Water and Sewer Fund** - The Water and Sewer Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges.



## NOTES TO FINANCIAL STATEMENTS - Continued

### *Activities in Non-Major Funds*

#### Governmental Funds

**Special Revenue Funds** - These funds are used to account for specific revenue (other than general special assessments, expendable trusts or major capital projects) derived from State and Federal grants, restricted or committed to be used for specific purposes, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

**Debt Service Funds** - These funds are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

#### Proprietary Funds

**Internal Service Fund** - The Motor Vehicle and Equipment fund accounts for the cost of acquiring, maintaining and providing equipment and services for the benefit of other funds, generally on a cost-reimbursement basis.

#### Fiduciary Funds

**Trust and Custodial Funds** - These funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

### ***Budgets and Budgetary Accounting***

Budgets are adopted by the City Council for the primary government's General and Special Revenue Funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level and control is exercised at the fund level.

The City does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

### ***Cash and Investments***

The City pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amounts which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Property Taxes***

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the City as of the preceding December 31. The City bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Custodial Fund. Property taxes are recognized as revenue in the year for which they are levied.

Taxes receivable are considered to be available to fund current operations, even if collection occurs beyond 60 days, if they are purchased by the Emmet County delinquent tax collection program.

### ***Interfund Transactions and Balances***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements. Outstanding balances on the government-wide statement of net position are captioned "internal balances."

Operating transfers in and out arise in the normal course of operations from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Governmental financing leases entered into between the building authority, as lessor, and the primary government and component units, as lessees, are not given effect in these financial statements. Rather, the bonded indebtedness secured by the leases are reported directly by the primary government activity or component unit lessee responsible for providing the funds to repay debt principal and interest.

### ***Inventories***

Inventory is valued at cost, which approximates market, using the first-in, first-out method. Inventory in the Special Revenue Funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Fund balance has been reserved for inventory in governmental funds.

### ***Capital Assets***

Property, plant and equipment used in proprietary funds are stated in a manner consistent with the presentation in the entity-wide financial statements. Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the City when the initial individual costs are equal to or greater than the following amounts:

## NOTES TO FINANCIAL STATEMENTS - Continued

<u>Asset Type</u>	<u>Amount</u>
Land	\$ 1
Equipment	5,000
Buildings	50,000
Infrastructure	100,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 - 60 years
Building improvements	15 - 30 years
Land improvements	10 - 20 years
Water and sewer lines	50 - 75 years
Streets, curbs and gutters	10 - 30 years
Sidewalks	20 years
Vehicles	3 - 5 years
Furniture and equipment	10 - 20 years
Office equipment	5 - 7 years

### ***Long-Term Obligations***

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred. Gains or losses on debt refunding are deferred and amortized over the life of the bonds, and shown as deferred outflows or inflows of resources, as applicable, in the government-wide and proprietary fund financial statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### ***Compensated Absences (Personal, Vacation and Sick Time)***

All employees are entitled to 56 hours of personal time starting on December 1. The City reimburses all employees for any unused portion, on an annual basis. Vacation days not used during the year may not be accumulated. Unpaid sick time accrued represents sick time accumulated before December 1, 1990 and payable to eligible employees on termination. Due to contract years differing from the City's fiscal year, unpaid vacation time represents earned but unused vacation time.

## NOTES TO FINANCIAL STATEMENTS - Continued

All vacation, sick pay and other employee benefit amounts accrue when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they become current.

### ***Deferred Inflows and Outflows of Resources***

In addition to assets and liabilities, the government-wide and proprietary fund statements of net position and governmental funds balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognized unavailable receivables not received within 60 days of year-end and unavailable property taxes as deferred inflows of resources in the governmental fund financial statements. Deferred inflows and outflows of resources have been recognized concurrent with the City's pension obligation, and gains and losses on debt refunding.

### ***Fund Equity***

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Council through approval of resolutions. Assigned fund balances is a limitation imposed by the Director of Finance as a designee of the Council, or unrestricted and unclassified balances held in governmental funds other than the General Fund. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

### ***Spending Policy***

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use the restricted fund balance first, then the unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

### ***Pension Plan***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System ("MERS") of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS - Continued

### *Use of Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

### *Subsequent Events*

The City has evaluated subsequent events and transactions for potential recognition and disclosure through May 11, 2020, the date the financial statements were available to be issued.

### *Market Losses*

The economy has experienced a significant downturn subsequent to year-end, resulting in market losses on investments. Management is not currently able to determine if these market losses will be other than temporary. Investment fair values could change by significant amounts in the near-term.

### *COVID- 19*

The City believes it understands the risk associated with COVID-19. The City is in the process of implementing risk mitigation tactics as to the risk of the impact of COVID- 19 related to all aspects of the City's business transactions with residents and vendors and human interaction within and outside of the City. The effect of potential interruption to operations is unknown at this time.

## **NOTE B - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2019, the City implemented GASB Statement 84, *Fiduciary Activities*. GASB Statement 84 clarified the identification of fiduciary activities for accounting and financial reporting purposes. As a result of the implementation in the year ended December 31, 2019, the City's fund formerly titled Agency Fund is now titled Custodial Fund. Certain activity formerly accounted for in the Agency Fund is no longer considered fiduciary, and was transferred to the General Fund.

## **NOTE C - BUDGETARY COMPLIANCE**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2019, the following functions incurred total expenditures in excess of amounts appropriated for expenditures:

<u>Fund</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Public safety	3,235,500	3,289,421	53,921
Recreation and cultural	1,980,600	2,044,910	64,310

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE D - DEPOSITS AND INVESTMENTS

The funds of the City are deposited and invested as permitted under Act 20 P.A. 1943, as amended by Act 196 P.A. 1997. Pension trust funds are invested as permitted under Act 314 P.A. 1965, as amended.

At December 31, 2019, the City's cash and investments include the following:

	Primary Government		Component Unit		Fiduciary Funds	
	Deposits	Investments	Deposits	Investments	Deposits	Investments
Carrying amounts						
Cash and equivalents	\$ 12,549,401	\$ 5,501,580	\$ 2,432,468	\$ -	\$ 1,006,994	\$ -
Restricted cash and cash equivalents	2,784,280	-	-	-	-	-
Restricted investments	-	1,460,430	-	-	-	-
Investments	<u>500,000</u>	<u>7,043,194</u>	<u>-</u>	<u>198,166</u>	<u>-</u>	<u>204,963</u>
	<u>\$ 15,833,681</u>	<u>\$ 14,005,204</u>	<u>\$ 2,432,468</u>	<u>\$ 198,166</u>	<u>\$ 1,006,994</u>	<u>\$ 204,963</u>

#### *Deposits*

Michigan law permits the City to deposit in the accounts of Federally insured banks, credit unions and savings and loans associations located in Michigan.

#### *Custodial Credit Risk*

In the event of bank failure, the City's uninsured deposits may not be returned to it. As of December 31, 2019, \$18,365,693 of the City's deposits (including certificates of deposit) were exposed to custodial credit risk because they were uninsured and uncollateralized.

#### *Investments*

Michigan law permits the City to invest in the following vehicles (except pension trust funds, which have much greater flexibility):

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit, savings, deposit and money market accounts.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain obligations of the State of Michigan or its political subdivisions.
7. Certain mutual funds.
8. Certain investment pools.

Investments are recorded at fair market value and money market funds are recorded at amortized cost.

At December 31, 2019, the City's investments consisted of the following:

## NOTES TO FINANCIAL STATEMENTS - Continued

Investment Type	Fair Market Value	Weighted Average Maturity (Years)	Standard and Poors Bond Ratings
Certificates of Deposit	\$ 3,241,796	5.48	N/A
Federal Farm Credit Bank Bonds	999,865	1.45	AA+
Federal Home Loan Bank Bonds	1,774,384	3.50	AA+
Federal National Mortgage Associations Bonds	497,990	1.41	AA+
Government National Mortgage Association Bonds	1,709	0.79	N/A
Chippewa Valley Schools Bonds	658,241	1.33	AA
Redford Redevelopment Authority Bonds	560,740	3.71	AA
City of Wyandotte Bonds	189,281	6.76	AA
Allendale Public Schools Bonds	250,340	0.33	AA
City of Sterling Heights Bonds	50,145	5.76	AA
MPPA Investment Pools	216,114	2.50	N/A
MPPA Investment Pools - Treasury Bonds	261,186	2.50	N/A
Money Market Mutual Funds	<u>5,706,542</u>	<u>-</u>	N/A
Total portfolio	<u><u>\$ 14,408,333</u></u>	<u><u>2.20</u></u>	

### *Credit Risk and Custodial Credit Risk - Investments*

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the type of securities allowed by law and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the City will do business.

The City's policy does not further limit its investment choices. The certificates of deposit are insured by the FDIC for up to \$250,000 at each bank. The City's investment in money market mutual funds is uncategorized as to credit risk. There is no regulatory oversight of the MPPA Investment Pool and no overall credit quality rating of the pool.

As of December 31, 2019, \$7,724,490 of the City's investments were uninsured and uncollateralized, and \$5,501,580 were collateralized by securities held by the pledging financial institutions and \$500,000 was insured by the Securities Investor Protection Corporation.

### *Concentration of Credit Risk*

The City places no limit on the amount it may invest in any one issuer. As of December 31, 2019, the City held no investments not guaranteed by the U.S. Government and not invested in diversified mutual funds or external investment pools that represented more than 5% of the City's investments.

### *Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City recognized an unrealized gain on investments of \$42,303 for the year ended December 31, 2019.

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE E - FAIR VALUE OF INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of December 31, 2019:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt securities				
Treasury bonds	\$ -	\$ 261,186	\$ -	\$ 261,186
Municipal bonds	-	1,708,747	-	1,708,747
U.S. Government Bonds	-	3,490,062	-	3,490,062
Money market funds	<u>-</u>	<u>5,706,542</u>	<u>-</u>	<u>5,706,542</u>
Total investments by fair market value	<u>\$ -</u>	<u>\$ 11,166,537</u>	<u>\$ -</u>	<u>\$ 11,166,537</u>

The City's investments in certificates of deposit and cash equivalents are not required to be classified by fair value.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

There have been no changes in the methodologies used at December 31, 2019.

*U.S. government bonds, treasury bonds, municipal bonds and corporate bonds:* Valued at fair value using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Money Market Funds:* Valued at amortized cost which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE F - PROPERTY TAXES

The City is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$10 per \$1,000 of taxable valuation for general governmental services and in unlimited amounts for the payment of principal and interest on general obligation long-term debt. The City is also permitted by charter to levy taxes up to \$5 per \$1,000 of taxable valuation for right-of-way related items. The City is permitted by State law to levy up to \$1 per \$1,000 of taxable valuation for the public library and \$2 per \$1,000 of taxable valuation for refuse collection. If approved by a majority of the voters, the City may increase the tax levied by an additional \$1 per \$1,000 of taxable valuation for the public library. The 2019 State taxable valuation of the City of Petoskey totaled \$512,583,833.

The tax rates for the year ended December 31, 2019 were as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	7.5327 per \$1,000
Right-of-way	3.8790 per \$1,000
Library	0.8443 per \$1,000
Library (additional, approved by voters)	0.9367 per \$1,000
Refuse collection	0.4890 per \$1,000
Fire equipment	0.7426 per \$1,000

### NOTE G - TAX ABATEMENTS

The City had the following tax abatements for the year ended December 31, 2019:

<u>Type</u>	<u>Tax Abated By</u>	<u>Property Owner</u>	<u>Gross Amount Abated</u>
Payment in Lieu of Taxes Public Act 346 of 1966, as amended	City of Petoskey	Petoskey Riverview Ltd Dividend Housing	\$ 28,379
		Sheridan Ltd Dividend Housing Assoc.	9,728
	City of Petoskey	Crestview Ltd Dividend Housing Assoc.	9,790
		City of Petoskey	(9,668)
Industrial Facilities Tax Exemption Public Act 198 of 1974	City of Petoskey	Keystone Management Group	
	City of Petoskey	Cygnus Inc.	1,197
			<u>\$ 39,426</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE H - INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivables and payables within the primary government are as follows for the year ended December 31, 2019:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 223,224	\$ -
Right-of-Way Fund	93,668	-
Other Nonmajor Governmental Funds	2,765	-
Fiduciary Funds - Custodial Funds	<u>-</u>	<u>319,657</u>
Total	<u><u>\$ 319,657</u></u>	<u><u>\$ 319,657</u></u>

The amounts of interfund receivables and payables between the primary government and the component units are as follows for the year ended December 31, 2019:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Library Component Unit	\$ 43,186	\$ -
Fiduciary Funds - Custodial Funds	<u>-</u>	<u>43,186</u>
Total	<u><u>\$ 43,186</u></u>	<u><u>\$ 43,186</u></u>

The interfund balances are mainly for property taxes, material and inventory usage, building rent and equipment.

**NOTE I - INTERFUND TRANSFERS**

Operating transfers within the primary government are as follows for the year ended December 31, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,324,200	\$ 504,868
Right-of-Way Fund	-	1,600,000
Electric Fund	387,568	997,100
Water and Sewer Fund	-	1,018,900
Other Nonmajor Governmental Funds	1,967,300	436,300
Internal Service Fund	<u>-</u>	<u>121,900</u>
Total	<u><u>\$ 4,679,068</u></u>	<u><u>\$ 4,679,068</u></u>

## NOTES TO FINANCIAL STATEMENTS - Continued

Operating transfers between the primary government and the component units are as follows for the year ended December 31, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
TIFA Component Unit	\$ -	\$ 231,400
Downtown Management Parking Component Unit	-	131,600
General Fund	131,600	-
Other Nonmajor Governmental Funds	<u>231,400</u>	<u>-</u>
Total	<u>\$ 363,000</u>	<u>\$ 363,000</u>

The operating transfers are mainly for right-of-way, debt service and general City operations.

Enterprise fund payments in lieu of taxes, classified as transfers to the General Fund above, were as follows for the year ended December 31, 2019:

Electric Fund	\$ 218,000
Water and Sewer Fund	<u>368,800</u>
	<u>\$ 586,800</u>

### NOTE J - CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended December 31, 2019:

#### Governmental Activities

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 4,042,213	\$ -	\$ -	\$ 4,042,213
Capital assets being depreciated				
Land improvements	3,750,997	-	-	3,750,997
Buildings	6,058,564	432,685	-	6,491,249
Equipment	8,065,702	428,572	(469,528)	8,024,746
Infrastructure	<u>28,154,617</u>	<u>271,713</u>	<u>-</u>	<u>28,426,330</u>
Subtotal	<u>46,029,880</u>	<u>1,132,970</u>	<u>(469,528)</u>	<u>46,693,322</u>
Less accumulated depreciation				
Land improvements	(1,255,340)	(106,138)	-	(1,361,478)
Buildings	(3,427,552)	(205,655)	-	(3,633,207)
Equipment	(4,972,044)	(477,028)	449,339	(4,999,733)
Infrastructure	<u>(17,000,481)</u>	<u>(991,633)</u>	<u>-</u>	<u>(17,992,114)</u>
Subtotal	<u>(26,655,417)</u>	<u>(1,780,454)</u>	<u>449,339</u>	<u>(27,986,532)</u>
Net capital assets being depreciated	<u>19,374,463</u>	<u>(647,484)</u>	<u>(20,189)</u>	<u>18,706,790</u>
Governmental activities net capital assets	<u>\$ 23,416,676</u>	<u>\$ (647,484)</u>	<u>\$ (20,189)</u>	<u>\$ 22,749,003</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**Business-Type Activities**

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 896,856	\$ -	\$ -	\$ 896,856
Capital assets being depreciated				
Land improvements	450,670	-	-	450,670
Buildings	27,962,105	11,253	-	27,973,358
Utility system improvements	51,635,122	1,133,667	-	52,768,789
Equipment	<u>794,700</u>	<u>-</u>	<u>-</u>	<u>794,700</u>
Subtotal	<u>80,842,597</u>	<u>1,144,920</u>	<u>-</u>	<u>81,987,517</u>
Less accumulated depreciation				
Land improvements	(93,887)	(10,432)	-	(104,319)
Buildings	(12,486,386)	(781,573)	-	(13,267,959)
Utility system improvements	(26,807,532)	(1,717,499)	-	(28,525,031)
Equipment	<u>(740,113)</u>	<u>(6,065)</u>	<u>-</u>	<u>(746,178)</u>
Subtotal	<u>(40,127,918)</u>	<u>(2,515,569)</u>	<u>-</u>	<u>(42,643,487)</u>
Net capital assets being depreciated	<u>40,714,679</u>	<u>(1,370,649)</u>	<u>-</u>	<u>39,344,030</u>
Business-type activities net capital assets	<u>\$ 41,611,535</u>	<u>\$ (1,370,649)</u>	<u>\$ -</u>	<u>\$ 40,240,886</u>

Depreciation expense was charged to programs of the primary government as follows for the year ended December 31, 2019:

**Governmental activities**

General government	\$ 2,681
Public safety	139,423
Public works	1,288,941
Recreation and cultural	57,358
Unallocated	<u>292,051</u>
Total governmental activities	<u>\$ 1,780,454</u>

**Business-type activities**

Electric	\$ 1,157,019
Water and sewer	<u>1,358,550</u>
Total business-type activities	<u>\$ 2,515,569</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**Component Units**

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets being depreciated				
Land improvements	\$ 2,819,360	\$ 454,043	\$ -	\$ 3,273,403
Buildings	6,416,166	-	-	6,416,166
Equipment	<u>2,002,093</u>	<u>52,729</u>	<u>(122,880)</u>	<u>1,931,942</u>
Subtotal	<u>11,237,619</u>	<u>506,772</u>	<u>(122,880)</u>	<u>11,621,511</u>
Less accumulated depreciation				
Land improvements	(1,161,875)	(140,968)	-	(1,302,843)
Buildings	(2,711,730)	(182,372)	-	(2,894,102)
Equipment	<u>(1,431,745)</u>	<u>(40,257)</u>	<u>122,880</u>	<u>(1,349,122)</u>
Subtotal	<u>(5,305,350)</u>	<u>(363,597)</u>	<u>122,880</u>	<u>(5,546,067)</u>
Component units' net capital assets	<u>\$ 5,932,269</u>	<u>\$ 143,175</u>	<u>\$ -</u>	<u>\$ 6,075,444</u>

**NOTE K - LONG-TERM DEBT**

The following is a summary of the City's long-term debt transactions for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities</b>					
General obligation debt	\$ 641,626	\$ -	\$ 99,561	\$ 542,065	\$ 98,331
Compensated absences	<u>37,460</u>	<u>458</u>	<u>-</u>	<u>37,918</u>	<u>-</u>
<b>Total governmental activities</b>	<u>\$ 679,086</u>	<u>\$ 458</u>	<u>\$ 99,561</u>	<u>\$ 579,983</u>	<u>\$ 98,331</u>
<b>Business-type activities</b>					
Revenue obligation debt	<u>\$ 11,030,000</u>	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ 10,355,000</u>	<u>\$ 690,000</u>
<b>COMPONENT UNIT</b>					
General obligation debt	<u>\$ 4,488,374</u>	<u>\$ -</u>	<u>\$ 370,439</u>	<u>\$ 4,117,935</u>	<u>\$ 366,669</u>

## NOTES TO FINANCIAL STATEMENTS - Continued

Bonds payable at December 31, 2019 is composed of the following individual issues:

### **General Obligation (Governmental Activities)**

\$1,000,000, 2010 City of Petoskey Building Authority Improvement bonds; \$750,000 refunded with \$730,323, 2017 City of Petoskey Building Authority Improvement bonds; remaining annual installments of \$98,331 to \$114,315 through April 2024; interest rate of 2.00% to 4.00%. Funds for repayment have been provided by the Marina Bond Debt Fund.	\$ 542,065
Unamortized premium	<u>29,637</u>
Total governmental activities general obligation bonds	<u><u>\$ 571,702</u></u>

### **Deferred Loss on Debt Refunding**

Unaccreted loss on refunding - \$730,323, 2017 Building Authority Improvement Bonds.	<u><u>\$ 2,155</u></u>
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### **Revenue Obligation (Business-type Activities)**

\$6,330,000, 2011 Water and Sewer refunding bonds; remaining annual installments of \$380,000 to \$580,000 through February 2026; interest rate of 4.13% to 5.00%.	\$ 3,645,000
Unamortized premium	145,237
\$2,755,000, 2011 Water and Sewer bonds; remaining annual installments of \$120,000 to \$200,000 through February 2031; interest rate of 4.13% to 5.00%.	1,890,000
Unamortized premium	45,448
\$5,000,000, 2017 Water and Sewer bonds; remaining annual installments of \$190,000 to \$365,000 through December 2037; interest rate of 3.00% to 3.25%.	4,820,000
Unamortized premium	<u>60,028</u>
Total business-type activities revenue obligation debt	<u><u>\$ 10,605,713</u></u>

### **Deferred Loss on Debt Refunding**

Unaccreted loss on refunding - \$6,330,000, 2011 Water and Sewer Refunding Bonds	<u><u>\$ 97,459</u></u>
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# NOTES TO FINANCIAL STATEMENTS - Continued

## General Obligation (Component Unit)

\$2,900,000, 2010 Building Authority TIFA Bear River Valley Improvement bonds; \$2,300,000 refunded with \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement bonds; remaining annual installments of \$156,669 to \$230,000 through December 2029; interest rate of 2.00% to 4.00%.	\$ 1,947,935
Unamortized premium	111,866
\$4,300,000, 2003 Building Authority Library Improvement bonds; \$3,425,000 refunded with \$3,520,000, 2012 Building Authority Library Improvement bonds; remaining annual installments of \$205,000 to \$285,000 through October 2028; interest rate of 2.70% to 3.13%.	2,170,000
Unamortized net premium	<u>39,721</u>
Total component unit general obligation bonds	<u><u>\$ 4,269,522</u></u>

## Deferred Loss on Debt Refunding

Unaccreted loss on refunding - \$3,520,000, 2012 Building Authority Library Improvement Bonds	<u><u>\$ 47,918</u></u>
Unaccreted loss on refunding - \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement Bonds	<u><u>\$ 8,128</u></u>

The annual requirements to amortize all general and revenue obligation bonds outstanding, as of December 31, 2019, are as follows:

Years Ending	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 98,331	\$ 15,426	\$ 690,000	\$ 394,662	\$ 366,669	\$ 131,192
2021	103,249	12,894	800,000	361,262	376,751	120,749
2022	114,315	9,631	820,000	324,712	410,685	108,937
2023	113,085	6,220	930,000	285,112	451,915	96,673
2024	113,085	2,262	945,000	242,537	451,915	82,856
2025-2029	-	-	3,215,000	730,362	2,060,000	188,094
2030-2034	-	-	1,900,000	302,593	-	-
2035-2037	-	-	1,055,000	51,375	-	-
	<u><u>\$ 542,065</u></u>	<u><u>\$ 46,433</u></u>	<u><u>\$ 10,355,000</u></u>	<u><u>\$ 2,692,615</u></u>	<u><u>\$ 4,117,935</u></u>	<u><u>\$ 728,501</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE L - RESTRICTED FUND BALANCES/RESTRICTED NET POSITION**

Fund balances and net position are classified as follows for the year ended December 31, 2019:

<u>Governmental Funds</u>	<u>General Fund</u>	<u>Right-of-Way Fund</u>	<u>Other Non-Major Funds</u>	<u>Governmental Activities</u>
Restricted for:				
Refuse collection	\$ 298,956	\$ -	\$ -	\$ 298,956
Marina	865,407	-	-	865,407
Streets and improvements	-	662,510	2,828,859	3,491,369
Downtown programs and services	-	-	121,771	121,771
	<u>\$ 1,164,363</u>	<u>\$ 662,510</u>	<u>\$ 2,950,630</u>	<u>\$ 4,777,503</u>
<u>Enterprise Funds</u>	<u>Electric System Fund</u>	<u>Water and Sewer System Fund</u>	<u>Business-Type Activities</u>	
Restricted for:				
Sewage service covenants	\$ -	\$ 770,923	\$ 770,923	
Revenue bond indentures	-	1,919,556	1,919,556	
MPPA energy expenses	<u>477,300</u>	<u>-</u>	<u>477,300</u>	
	<u>\$ 477,300</u>	<u>\$ 2,690,479</u>	<u>\$ 3,167,779</u>	
<u>Fiduciary Funds</u>	<u>Employees Retirement Trust Fund</u>			
Restricted for:				
Employee pension benefits	<u>\$ 204,963</u>			

**Component Units**

Restricted for Tax Increment Finance Authority ("TIFA") - The Tax Increment Finance Authority has \$1,022,436 restricted for use within the TIFA district.

The Library has \$273,000 restricted for debt service and \$614,645 restricted for Library operations.



**NOTE M - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM**

**Municipal Employees Retirement Systems**

***General Information about the Pension Plan***

The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City's plan covers the City and Library employees. The City participates in the Municipal Employees Retirement System ("MERS") of Michigan. MERS an agent multiple-employer, statewide public employees pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com)

***Benefits Provided***

Benefits provided include plans with multipliers ranging from 2.0% to 2.5%.

Vesting periods range for 6 to 10 years.

Normal retirement age is 60 with early retirement at 55 with 15 years of service, or 50 with 25 years of service.

Final average compensation is calculated based on 3 years. Members contributions range from 0.0% to 3.0%.

***Employees Covered by Benefit Terms***

At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	79
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>65</u>
Total covered employees	<u><u>155</u></u>

***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 10.84% to 22.92% based on annual payroll for open divisions.

## NOTES TO FINANCIAL STATEMENTS - Continued

### *Defined Contribution Plan*

Employer contributions to the system are dependent on the plan elected by the participant. There were no employer contributions to the MERS defined contribution plan for 2019.

### *Net Pension Liability*

The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

### *Actuarial Assumptions*

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term, plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases.

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3.0% to 4.0%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2008-2013.

## NOTES TO FINANCIAL STATEMENTS - Continued

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	55.5 %	4.08 %
Global fixed income	18.5 %	0.70 %
Real assets	13.5 %	1.31 %
Diversifying strategies	12.5 %	0.94 %

### ***Discount Rate***

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS - Continued

**Changes in Net Pension Liability - City**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at December 31, 2018</b>	<u>\$27,743,851</u>	<u>\$21,043,245</u>	<u>\$ 6,700,606</u>
<b>Changes for the Year</b>			
Service cost	465,716	-	465,716
Interest on Total Pension Liability	2,168,265	-	2,168,265
Change in benefits	-	-	-
Difference between expected and actual experience	(304,611)	-	(304,611)
Changes in assumptions	-	-	-
Employer contributions	-	1,653,453	(1,653,453)
Employee contributions	-	120,480	(120,480)
Net investment income	-	2,877,141	(2,877,141)
Benefit payments, including employee refunds	(1,707,560)	(1,707,560)	-
Administrative expense	-	(49,509)	49,509
Other changes	<u>78,091</u>	<u>(14,879)</u>	<u>92,970</u>
<b>Net changes</b>	<u>699,901</u>	<u>2,879,126</u>	<u>(2,179,225)</u>
<b>Balances as of December 31, 2019</b>	<u><u>\$28,443,752</u></u>	<u><u>\$23,922,371</u></u>	<u><u>\$ 4,521,381</u></u>

**Changes in Net Pension Liability - Library**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at December 31, 2018</b>	<u>\$ 280,241</u>	<u>\$ 212,558</u>	<u>\$ 67,683</u>
<b>Changes for the Year</b>			
Service cost	5,037	-	5,037
Interest on Total Pension Liability	23,451	-	23,451
Change in benefits	-	-	-
Difference between expected and actual experience	(3,295)	-	(3,295)
Changes in assumptions	-	-	-
Employer contributions	-	17,883	(17,883)
Employee contributions	-	1,303	(1,303)
Net investment income	-	31,118	(31,118)
Benefit payments, including employee refunds	(18,469)	(18,469)	-
Administrative expense	-	(535)	535
Other changes	<u>20,674</u>	<u>14,879</u>	<u>5,795</u>
<b>Net changes</b>	<u>27,398</u>	<u>46,179</u>	<u>(18,781)</u>
<b>Balances as of December 31, 2019</b>	<u><u>\$ 307,639</u></u>	<u><u>\$ 258,737</u></u>	<u><u>\$ 48,902</u></u>

# NOTES TO FINANCIAL STATEMENTS - Continued

## ***Sensitivity of Net Position Liability to Changes in the Discount Rate***

The following presents the Net Pension Liability, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City net pension liability	\$ 7,544,747	\$ 4,521,381	\$ 1,938,747
Library net pension liability	81,602	48,902	20,969

## ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended December 31, 2019, the City recognized pension expense of \$1,509,038. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 312,424
Differences in assumptions	-	-
Excess investment returns	94,641	1,170
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 94,641</u>	<u>\$ 313,594</u>

For the year ended December 31, 2019, the Library recognized pension expense of \$16,321. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 4,240
Differences in assumptions	-	-
Excess (deficit) investment returns	-	2,214
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 6,454</u>

## NOTES TO FINANCIAL STATEMENTS - Continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>City</u>	<u>Library</u>
2020	\$ (239,605)	\$ (2,592)
2021	45,013	487
2022	210,496	2,277
2023	<u>(234,857)</u>	<u>(6,626)</u>
Total	<u>\$ (218,953)</u>	<u>\$ (6,454)</u>

### NOTE N - DEFINED CONTRIBUTION RETIREMENT PLAN

The City provides pension benefits for management employees as designated by City Council through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Designated employees are eligible to participate from the date of employment. The City's contributions for each employee (and interest allocated to each employee's account) are fully vested immediately.

The City's contributions were calculated using the eligible base salary amount of \$110,000, as established by City Council and governed by Federal regulations. The City made the required 14.00% contribution for the year, which totaled \$16,345.

At December 31, 2019, the City had \$204,963 within the Employees Retirement Trust Fund.

### NOTE O - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In complying with the amended Section 457 requirements, these assets are for the exclusive benefit of participants and not subject to the claims of the City's general creditors. As such, they are not included in a custodial fund of the City.

**NOTE P - COMMITMENTS AND CONTINGENCIES**

***Landfill Closure and Post-Closure Care Costs***

An agreement with the State of Michigan requires that the City of Petoskey perform monitoring functions at a former landfill site for 30 years after closure. A liability is being recognized based on the estimated future post-closure costs that will be incurred over the remaining term of the agreement, which runs through August 2022. The estimated total current cost of the landfill post-closure care of \$85,000 is based on the amount that would be paid if the services to monitor the landfill were acquired as of December 31, 2019. However, the actual cost of post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

***Entitlement Commitments***

Between 1979 and 2001, the Michigan Public Power Agency ("MPPA"), of which the City is a member, acquired ownership interests in the Detroit Edison Belle River Unit and other related assets, and the CT Project No. 1. The City's entitlement share of the Belle River Unit and CT Project No. 1 generating capacities are 4,137 (KW) and 4,392 (KW), respectively.

The entitlements specify minimum annual payments on a "take-or-pay" basis for the generation and transmission capabilities of the units as follows:

<u>Years Ending December 31,</u>	<u>CT Project No. 1</u>
2020	\$ 229,701
2021	229,654
2022	229,200
2023	229,296
2024	229,415
2025 - 2027	<u>459,163</u>
Total	<u><u>\$ 1,606,429</u></u>

There is a possibility of refunds or subsidy payments to the City due to past fuel overcharges. However, since the amounts are unknown at this time, there are no provisions made in the financial statements.

The City entered into an agreement with MPPA in August 2011, to purchase up to .8 mega-watt hours of power per hour at prices ranging from \$41 to \$68 per mega-watt hour from 2012 to 2023.

***Revenue Bond Contingencies***

The General Fund is contingently liable for the Water and Sewer System revenue bonds. The General Fund is obligated only if revenues of the Water and Sewer System Fund would be insufficient to meet its debt service requirements.

**NOTE Q - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance for general liability and property, and participates in the Michigan Municipal League risk pool for claims relating to employee injuries/workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all eligible and participating employees and retirees, and has no risk in excess of policy coverage.

The shared-risk pool in which the City participates operates a common risk-sharing management program for various municipalities throughout the State. Member premiums are used to purchase commercial insurance coverage and to pay member claims in excess of deductible amounts.



## **REQUIRED SUPPLEMENTARY INFORMATION**

# City of Petoskey

## BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year ended December 31, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
<b>REVENUES</b>					
Taxes	\$ 3,939,300	\$ 3,939,300	\$ 3,984,887	\$ -	\$ 45,587
Licenses and permits	17,900	17,900	25,090	-	7,190
Federal grants	1,600	19,600	19,178	18,000	(422)
State grants	543,000	834,000	900,901	291,000	66,901
Contributions from local units	75,000	75,000	72,983	-	(2,017)
Charges for services	1,312,200	1,412,200	1,486,058	100,000	73,858
Fines and forfeitures	9,400	9,400	23,622	-	14,222
Interest and investment earnings	80,000	80,000	145,485	-	65,485
Other	122,800	122,800	146,996	-	24,196
Total revenues	<u>6,101,200</u>	<u>6,510,200</u>	<u>6,805,200</u>	<u>409,000</u>	<u>295,000</u>
<b>EXPENDITURES</b>					
Legislative, general government, and health and welfare	1,937,700	1,937,700	1,910,829	-	26,871
Public safety	3,185,500	3,235,500	3,289,421	(50,000)	(53,921)
Public works	632,100	632,100	621,694	-	10,406
Recreation and cultural	1,530,600	1,980,600	2,044,910	(450,000)	(64,310)
Capital outlay	639,400	639,400	548,210	-	91,190
Total expenditures	<u>7,925,300</u>	<u>8,425,300</u>	<u>8,415,064</u>	<u>(500,000)</u>	<u>10,236</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(1,824,100)</u>	<u>(1,915,100)</u>	<u>(1,609,864)</u>	<u>(91,000)</u>	<u>305,236</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	2,213,700	2,324,200	2,324,200	110,500	-
Operating transfers out	(504,900)	(504,900)	(504,868)	-	32
Transfers from component units	131,600	131,600	131,600	-	-
Total other financing sources	<u>1,840,400</u>	<u>1,950,900</u>	<u>1,950,932</u>	<u>110,500</u>	<u>32</u>
<b>NET CHANGE IN FUND BALANCES</b>	16,300	35,800	341,068	19,500	305,268
<b>Fund balance, beginning of year</b>	<u>5,508,980</u>	<u>5,508,980</u>	<u>5,508,980</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,525,280</u>	<u>\$ 5,544,780</u>	<u>\$ 5,850,048</u>	<u>\$ 19,500</u>	<u>\$ 305,268</u>

# City of Petoskey

## BUDGETARY COMPARISON SCHEDULE FOR THE RIGHT-OF-WAY FUND

Year ended December 31, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
<b>REVENUES</b>					
Property taxes	\$ 1,738,200	\$ 1,738,200	\$ 1,757,227	\$ -	\$ 19,027
Interest	<u>5,000</u>	<u>5,000</u>	<u>8,611</u>	<u>-</u>	<u>3,611</u>
Total revenue	1,743,200	1,743,200	1,765,838	-	22,638
<b>EXPENDITURES</b>					
Other					
Contracted services	<u>2,000</u>	<u>2,000</u>	<u>1,934</u>	<u>-</u>	<u>66</u>
<b>REVENUES OVER EXPENDITURES</b>	1,741,200	1,741,200	1,763,904	-	22,704
<b>OTHER FINANCING USES</b>					
Operating transfers out	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	141,200	141,200	163,904	-	22,704
<b>Fund balance, beginning of year</b>	<u>498,606</u>	<u>498,606</u>	<u>498,606</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 639,806</u>	<u>\$ 639,806</u>	<u>\$ 662,510</u>	<u>\$ -</u>	<u>\$ 22,704</u>

# City of Petoskey

## SCHEDULE OF CHANGES IN THE CITY MERS NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 465,716	\$ 467,813	\$ 502,133	\$ 507,633	\$ 482,076
Interest	2,168,265	2,087,596	2,174,753	2,017,084	1,933,518
Changes of benefit terms	-	-	(1,591,126)	(7,593)	-
Difference between expected and actual experience	(304,611)	177,290	(691,004)	384,444	-
Changes of assumption	-	-	-	1,314,664	-
Benefit payments including employee refunds	(1,707,560)	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Other	<u>78,091</u>	<u>65,182</u>	<u>(17,001)</u>	<u>(126,712)</u>	<u>(40,561)</u>
Net Change in Total Pension Liability	699,901	1,204,681	(1,121,158)	2,723,547	1,107,433
Total Pension Liability Beginning	<u>27,743,851</u>	<u>26,539,170</u>	<u>27,660,328</u>	<u>24,936,781</u>	<u>23,829,348</u>
Total Pension Liability Ending	<u><u>\$ 28,443,752</u></u>	<u><u>\$27,743,851</u></u>	<u><u>\$26,539,170</u></u>	<u><u>\$27,660,328</u></u>	<u><u>\$24,936,781</u></u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	1,653,453	\$ 1,621,597	\$ 1,686,087	\$ 700,936	\$ 691,061
Contributions - employee	120,480	118,342	122,283	120,075	121,724
Net investment income	2,877,141	(879,908)	2,566,652	1,971,865	(271,928)
Benefit payments including employee refunds	(1,707,560)	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Administrative expense	(49,509)	(42,942)	(40,507)	(38,931)	(39,863)
Other changes	<u>(14,879)</u>	<u>96,974</u>	<u>15,329</u>	<u>(40,832)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	2,879,126	(679,137)	2,850,931	1,347,140	(766,606)
Plan Fiduciary Net Position Beginning	<u>21,043,245</u>	<u>21,722,382</u>	<u>18,871,451</u>	<u>17,524,311</u>	<u>18,290,917</u>
Plan Fiduciary Net Position Ending	<u><u>\$ 23,922,371</u></u>	<u><u>\$21,043,245</u></u>	<u><u>\$21,722,382</u></u>	<u><u>\$18,871,451</u></u>	<u><u>\$17,524,311</u></u>
Employer Net Pension Liability	<u><u>\$ 4,521,381</u></u>	<u><u>\$ 6,700,606</u></u>	<u><u>\$ 4,816,788</u></u>	<u><u>\$ 8,788,877</u></u>	<u><u>\$ 7,412,470</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84 %	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u><u>\$ 3,938,399</u></u>	<u><u>\$ 3,920,256</u></u>	<u><u>\$ 3,994,976</u></u>	<u><u>\$ 3,978,932</u></u>	<u><u>\$ 4,078,153</u></u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	115 %	171 %	121 %	221 %	182 %

# City of Petoskey

## SCHEDULE OF CHANGES IN THE LIBRARY MERS NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 5,037	\$ 4,725	\$ 7,336	\$ 7,835	\$ 6,300
Interest	23,451	21,087	31,774	31,133	25,268
Changes of benefit terms	-	-	(23,247)	(117)	-
Difference between expected and actual experience	(3,295)	1,791	(10,096)	5,934	-
Changes of assumption	-	-	-	20,291	-
Benefit payments including employee refunds	(18,469)	(16,093)	(21,900)	(21,083)	(16,566)
Other	<u>20,674</u>	<u>(119,016)</u>	<u>(23,046)</u>	<u>57,045</u>	<u>(530)</u>
Net Change in Total Pension Liability	27,398	(107,506)	(39,179)	101,038	14,472
Total Pension Liability Beginning	<u>280,241</u>	<u>387,747</u>	<u>426,926</u>	<u>325,888</u>	<u>311,416</u>
Total Pension Liability Ending	<u><u>\$ 307,639</u></u>	<u><u>\$ 280,241</u></u>	<u><u>\$ 387,747</u></u>	<u><u>\$ 426,926</u></u>	<u><u>\$ 325,888</u></u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	17,883	\$ 16,380	\$ 24,634	\$ 10,819	\$ 9,031
Contributions - employee	1,303	1,195	1,787	1,853	1,591
Net investment income	31,118	(8,888)	37,500	30,435	(3,554)
Benefit payments including employee refunds	(18,469)	(16,093)	(21,900)	(21,083)	(16,566)
Administrative expense	(535)	(434)	(592)	(601)	(520)
Other changes	<u>14,879</u>	<u>(96,974)</u>	<u>(15,330)</u>	<u>40,832</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	46,179	(104,814)	26,099	62,255	(10,018)
Plan Fiduciary Net Position Beginning	<u>212,558</u>	<u>317,372</u>	<u>291,273</u>	<u>229,018</u>	<u>239,036</u>
Plan Fiduciary Net Position Ending	<u><u>\$ 258,737</u></u>	<u><u>\$ 212,558</u></u>	<u><u>\$ 317,372</u></u>	<u><u>\$ 291,273</u></u>	<u><u>\$ 229,018</u></u>
Employer Net Pension Liability	<u><u>\$ 48,902</u></u>	<u><u>\$ 67,683</u></u>	<u><u>\$ 70,375</u></u>	<u><u>\$ 135,653</u></u>	<u><u>\$ 96,870</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84 %	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u><u>\$ 295,550</u></u>	<u><u>\$ 318,874</u></u>	<u><u>\$ 303,359</u></u>	<u><u>\$ 280,175</u></u>	<u><u>\$ 333,666</u></u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	17 %	21 %	23 %	48 %	29 %

# City of Petoskey

## SCHEDULE OF MERS EMPLOYER'S CONTRIBUTIONS

Years ended December 31,

	Actuarial Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
City:					
2010	\$ 657,488	\$ 591,739	\$ 65,749	\$ 4,014,000	15 %
2011	669,786	596,110	73,676	3,888,000	15 %
2012	650,292	637,286	13,006	4,032,000	16 %
2013	697,426	683,477	13,949	4,408,000	16 %
2014	651,998	638,958	13,040	4,235,000	15 %
2015	691,061	691,061	-	4,075,153	17 %
2016	700,936	700,936	-	3,978,932	18 %
2017	686,087	1,686,087	(1,000,000)	3,994,976	42 %
2018	631,597	1,631,597	(1,000,000)	3,920,256	42 %
2019	653,453	1,653,453	(1,000,000)	3,938,399	42 %
Library:					
2015	9,031	9,031	-	333,666	3 %
2016	10,819	10,819	-	280,175	4 %
2017	24,634	24,634	-	303,359	8 %
2018	6,380	6,380	-	318,874	2 %
2019	17,883	17,883	-	295,550	6 %

### Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RP-2014 Annuity Mortality Table

## **COMBINING FINANCIAL STATEMENTS**

# City of Petoskey

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	Special Revenue Funds					Debt Service Funds			
	Major Street	Local Street	General Street	Downtown Management	Total Special Revenue	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total Debt Service	Total Non-Major Funds
<b>ASSETS</b>									
Current assets									
Cash	\$1,348,119	\$ 800,569	\$1,095,156	\$ 93,453	\$3,337,297	\$ 27,987	\$ 120,188	\$ 148,175	\$ 3,485,472
Receivables									
Special assessments	-	-	-	29,946	29,946	-	-	-	29,946
Accounts receivable	600	299	254	-	1,153	64	63	127	1,280
Due from other funds	-	-	-	2,765	2,765	-	-	-	2,765
Due from other governments	108,969	30,716	-	-	139,685	-	-	-	139,685
Inventory, at cost	-	-	184,914	-	184,914	-	-	-	184,914
Total assets	<u>\$1,457,688</u>	<u>\$ 831,584</u>	<u>\$1,280,324</u>	<u>\$ 126,164</u>	<u>\$3,695,760</u>	<u>\$ 28,051</u>	<u>\$ 120,251</u>	<u>\$ 148,302</u>	<u>\$ 3,844,062</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 6,605	\$ 126	\$ 6,261	\$ 4,393	\$ 17,385	\$ 250	\$ 250	\$ 500	\$ 17,885
Accrued expenditures	3,994	2,596	3,532	-	10,122	-	-	-	10,122
Total liabilities	<u>10,599</u>	<u>2,722</u>	<u>9,793</u>	<u>4,393</u>	<u>27,507</u>	<u>250</u>	<u>250</u>	<u>500</u>	<u>28,007</u>
<b>FUND BALANCES</b>									
Non-spendable									
Inventory	-	-	184,914	-	184,914	-	-	-	184,914
Restricted									
Special revenue	-	-	-	121,771	121,771	-	-	-	121,771
Streets and improvements	1,447,089	828,862	552,908	-	2,828,859	-	-	-	2,828,859
Committed	-	-	532,709	-	532,709	27,801	120,001	147,802	680,511
Total fund balances	<u>1,447,089</u>	<u>828,862</u>	<u>1,270,531</u>	<u>121,771</u>	<u>3,668,253</u>	<u>27,801</u>	<u>120,001</u>	<u>147,802</u>	<u>3,816,055</u>
Total liabilities and fund balances	<u>\$1,457,688</u>	<u>\$ 831,584</u>	<u>\$1,280,324</u>	<u>\$ 126,164</u>	<u>\$3,695,760</u>	<u>\$ 28,051</u>	<u>\$ 120,251</u>	<u>\$ 148,302</u>	<u>\$ 3,844,062</u>



# City of Petoskey

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2019

	Special Revenue Funds					Debt Service Funds			
	Major Street	Local Street	General Street	Downtown Management	Total	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total	Total Other Non-Major Funds
<b>REVENUES</b>									
State grants	\$ 689,706	\$ 247,300	\$ 100,966	\$ -	\$ 1,037,972	\$ -	\$ -	\$ -	\$ 1,037,972
Special assessments	-	-	-	101,352	101,352	-	-	-	101,352
Interest and investment earnings	17,830	8,949	7,840	1,941	36,560	1,575	1,864	3,439	39,999
Other	36,828	3,191	-	41,675	81,694	-	-	-	81,694
Total revenues	<u>744,364</u>	<u>259,440</u>	<u>108,806</u>	<u>144,968</u>	<u>1,257,578</u>	<u>1,575</u>	<u>1,864</u>	<u>3,439</u>	<u>1,261,017</u>
<b>EXPENDITURES</b>									
Current									
Public works	539,653	268,401	640,581	125,914	1,574,549	-	-	-	1,574,549
Capital outlay	80,616	-	206,511	-	287,127	-	-	-	287,127
Principal	-	-	-	-	-	99,561	160,439	260,000	260,000
Interest	-	-	-	-	-	17,655	70,845	88,500	88,500
Total expenditures	<u>620,269</u>	<u>268,401</u>	<u>847,092</u>	<u>125,914</u>	<u>1,861,676</u>	<u>117,216</u>	<u>231,284</u>	<u>348,500</u>	<u>2,210,176</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>124,095</u>	<u>(8,961)</u>	<u>(738,286)</u>	<u>19,054</u>	<u>(604,098)</u>	<u>(115,641)</u>	<u>(229,420)</u>	<u>(345,061)</u>	<u>(949,159)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	-	200,000	1,650,000	-	1,850,000	117,300	-	117,300	1,967,300
Operating transfers out	-	-	(436,300)	-	(436,300)	-	-	-	(436,300)
Transfers from component units	-	-	-	-	-	-	231,400	231,400	231,400
Total other financing sources	<u>-</u>	<u>200,000</u>	<u>1,213,700</u>	<u>-</u>	<u>1,413,700</u>	<u>117,300</u>	<u>231,400</u>	<u>348,700</u>	<u>1,762,400</u>
<b>NET CHANGE IN FUND BALANCE</b>	124,095	191,039	475,414	19,054	809,602	1,659	1,980	3,639	813,241
<b>Fund balance, beginning of year</b>	<u>1,322,994</u>	<u>637,823</u>	<u>795,117</u>	<u>102,717</u>	<u>2,858,651</u>	<u>26,142</u>	<u>118,021</u>	<u>144,163</u>	<u>3,002,814</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,447,089</u></u>	<u><u>\$ 828,862</u></u>	<u><u>\$ 1,270,531</u></u>	<u><u>\$ 121,771</u></u>	<u><u>\$3,668,253</u></u>	<u><u>\$ 27,801</u></u>	<u><u>\$ 120,001</u></u>	<u><u>\$ 147,802</u></u>	<u><u>\$ 3,816,055</u></u>

# City of Petoskey

## COMBINING COMPONENT UNIT BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2019

	Debt Service Funds			Reconciliation of Fund Balance Sheets to Statement of Net Position			
	2017 Marina Bonds	2017 Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Leases	Governmental Bonds Payable	Accrued Interest	Statement of Net Position
<b>ASSETS</b>							
Current assets							
Cash	\$ 27,987	\$ 120,188	\$ -	\$ -	\$ -	\$ -	\$ 148,175
Accounts receivable	64	63	-	-	-	-	127
Interest receivable	-	-	-	37,088	-	-	37,088
Lease contract receivable, current	-	-	-	465,000	-	-	465,000
Total current assets	28,051	120,251	-	502,088	-	-	650,390
Non-current assets							
Deferred charges - bond premium and discounts	-	-	-	-	336,420	-	336,420
Lease contract receivable	-	-	-	4,561,670	-	-	4,561,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred loss on debt refunding	-	-	-	-	58,201	-	58,201
Total assets and deferred outflows of resources	<u>\$ 28,051</u>	<u>\$ 120,251</u>	<u>\$ -</u>	<u>\$ 5,063,758</u>	<u>\$ 394,621</u>	<u>\$ -</u>	<u>\$ 5,606,681</u>
<b>LIABILITIES AND FUND BALANCES/NET POSITION</b>							
<b>LIABILITIES</b>							
Current liabilities							
Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,088	\$ 37,088
Accounts payable	250	250	-	-	-	-	500
Bonds payable, current	-	-	-	-	465,000	-	465,000
Total current liabilities	250	250	-	-	465,000	37,088	502,588
Non-current liabilities							
Bonds payable, net	-	-	-	-	4,561,670	-	4,561,670
Total liabilities	250	250	-	-	5,026,670	37,088	5,064,258
<b>FUND BALANCE/NET POSITION</b>							
Committed	<u>27,801</u>	<u>120,001</u>	<u>-</u>	<u>5,063,758</u>	<u>(4,632,049)</u>	<u>(37,088)</u>	<u>542,423</u>
Total liabilities and fund balances	<u>\$ 28,051</u>	<u>\$ 120,251</u>	<u>\$ -</u>	<u>\$ 5,063,758</u>	<u>\$ 394,621</u>	<u>\$ -</u>	<u>\$ 5,606,681</u>

# City of Petoskey

## COMBINING COMPONENT UNIT STATEMENT OF REVENUES AND EXPENDITURES/STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Debt Service Funds			Reconciliation of Fund Statements of Revenues and Expenditures to the Statement of Activities			Statement of Activities
	Marina Bonds	Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Lease	Debt Service	Interest Expense	
Program revenues							
Lease income	\$ 117,300	\$ 231,400	\$ 278,494	\$ (476,352)	\$ -	\$ -	\$ 150,842
Expenditures/expenses							
Debt service	99,561	160,439	210,000	-	(470,000)	-	-
Interest and fees	17,655	70,845	68,494	-	(15,599)	(2,582)	138,813
Total expenditures/expenses	117,216	231,284	278,494	-	(485,599)	(2,582)	138,813
Net revenue	84	116	-	(476,352)	485,599	2,582	12,029
General revenues							
Interest and investment earnings	1,575	1,864	-	-	-	-	3,439
Revenues over (under) expenditures/ change in net position	1,659	1,980	-	(476,352)	485,599	2,582	15,468
<b>Fund balance/net position, beginning of year</b>	<u>26,142</u>	<u>118,021</u>	<u>-</u>	<u>5,540,110</u>	<u>(5,117,648)</u>	<u>(39,670)</u>	<u>526,955</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 27,801</u>	<u>\$ 120,001</u>	<u>\$ -</u>	<u>\$ 5,063,758</u>	<u>\$ (4,632,049)</u>	<u>\$ (37,088)</u>	<u>\$ 542,423</u>



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Consent Agenda Resolution

**RECOMMENDATION:** That the City Council approve this proposed resolution

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The City Council will be asked to adopt a resolution that would approve the following consent agenda items:

- (1) Draft minutes of the May 4, 2020 regular session City Council meetings; and
- (2) Acknowledge receipt of a report from the City Manager concerning all checks that have been issued since May 4, 2020 for contract and vendor claims at \$415,118.88, intergovernmental claims at \$0, and the May 14 payroll at \$194,306.74 for a total of \$609,425.62.

sb  
Enclosures



## CITY COUNCIL

May 4, 2020

A regular meeting of the City of Petoskey City Council was held from virtual locations on Monday, May 4, 2020. 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  
Kate Marshall, City Councilmember  
Suzanne Shumway, City Councilmember  
Brian Wagner, City Councilmember  
Lindsey Walker, City Councilmember

Absent: None

Also in attendance were City Manager Rob Straebel, Clerk-Treasurer Alan Terry, City Planner Amy Tweeten and Executive Assistant Sarah Bek.

### **Hear Arbor Day Proclamation**

Mayor Murphy read the following proclamation:

WHEREAS, in 1872, J. Sterling Morton proposed to the Nebraska Board of Agriculture that a special day be set aside for the planting of trees; and

WHEREAS, the holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska; and

WHEREAS, Arbor Day is now observed throughout the nation and the world; and

WHEREAS, trees can reduce the erosion of our precious topsoil by wind and water, lower our heating and cooling costs, moderate the temperature, clean the air, produce oxygen and provide habitat for wildlife; and

WHEREAS, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires and countless other wood products; and

WHEREAS, trees in our city increase property values, enhance the economic vitality of business areas, and beautify our community; and

WHEREAS, trees, wherever they are planted, are a source of joy and spiritual renewal:

NOW, THEREFORE, I, John Murphy, Mayor of the City of Petoskey, do hereby proclaim May 4, 2020 as Arbor Day in the City of Petoskey. I urge all citizens to celebrate Arbor Day and to support efforts to protect our trees and woodlands; and

FURTHER, I urge all citizens to plant and care for trees to gladden the heart and promote the well-being of this and future generations.

### **Consent Agenda - Resolution No. 19398**

Following introduction of the consent agenda for this meeting of May 4, 2020, City Councilmember Shumway moved that, seconded by City Councilmember Walker adoption of the following resolution:

BE IT RESOLVED that the City Council does and hereby confirms that the draft minutes of the April 20, 2020 regular session City Council meeting be and are hereby approved; and

BE IT RESOLVED that receipt by the City Council of a report concerning all checks that had been issued since April 20, 2020 for contract and vendor claims at \$252,022.81, intergovernmental claims at \$0, and the April 30 payroll at \$191,346.61, for a total of \$443,369.42 be and is hereby acknowledged.

Said resolution was adopted by the following vote:

AYES: Marshall, Shumway, Wagner, Walker, Murphy (5)

NAYS: None (0)

### **Hear City Manager Updates**

The City Manager reported that he participated in a MML webinar regarding potential financial impacts to municipalities as a result of the COVID-19 crisis and that there is much uncertainty; that Act 51 Road Funding revenues that support the City's Major and Local Street Funds is forecasted to decrease this year by \$71,000 although revenues are forecasted to rebound in 2021 and 2022 and fortunately the City had lower winter maintenance costs this year assisting the City to maintain healthy fund balances for the remainder of 2020; that State sales tax revenue sharing is more difficult to estimate, but could see considerable reductions this year and 2021; that revenue sharing is the second largest source of operating income for the General Fund and proposes that City Council possibly postpone several capital improvement projects at the May 18 meeting; that Haan Development submitted a proposal for a potential workforce/affordable housing project on the Gruler site on Emmet Street and reviewed proposed project with possible discussion at the May 18 meeting; that the promenade street tree replacement project has begun; that construction of two new pickleball courts at Riverside Park will begin May 25; that the Kalamazoo Avenue improvement project will begin the week of May 11 and dependent upon weather and any stop work orders because of pandemic, the project should be completed by late fall; that MDOT US-31 landscaping project will begin this week; that City Hall experienced significant water intrusion issues after last week's heavy rain and wind storm on the north and east side of the building and staff has contacted the architect towards rectifying the water leakage issues; that the spring rubbish pickup has been canceled as the operations involve up to 6-7 workers and will be difficult to comply with social distancing requirements and the fall program will be re-evaluated with updates posted on the City's website; gave an update on the status of solar projects and that the COVID-19 crisis has limited the City's ability to move projects forward; that later this week, crews will begin regrading and final revegetation work for Bayfront Park East where there was substantial coastline erosion last fall and winter; and that final items are being completed on the stair tower and staff anticipates the stair tower will open to the public by early next week.

City Councilmembers commented on the effects the pandemic has caused to downtown businesses and inquired if the DMB or City could close streets to help downtown vibrancy; inquired on what rental rates would be and demographic for the PILOT request at Gruler's property; heard a comment that there is a lot of sediment in road near US-31 highway where landscaping will be occurring; inquired if the contractor had a warranty on work for City Hall building; heard from those not in favor of canceling spring rubbish collection; inquired who made the decision to cancel if it was the haulers or City; that unintended consequences of no pickup is blight and there isn't financing for low income users to pay transfer station fees; and inquired about concerns with high water levels at the Marina

The City Manager responded that the City decided to cancel spring rubbish collection due to social distancing and reviewed the Baird study on four park areas with no immediate issues yet with high water levels at the Marina.

Mayor Murphy asked for public comments and read aloud a public comment that was emailed concerning status of solar array projects and that the stair tower looks amazing.

**Discuss Bay and Howard Street Proposed Development & Approve City Attorney to Prepare Appraisal Agreement – Resolution 19399**

The City Manager reviewed that developers continue to finalize plans for a 50-room boutique hotel at 322 Bay Street and 200 Howard Street; that the hotel would be under one ownership and not include sale of individual units that are common in hotel/condo projects; that the developer is asking the City to consider granting a 20' air easement on the west side of proposed development; that the easement is needed to construct a commercial hotel building allowing windows and decks to the west side of the property instead of a firewall that would be required per building codes if the air easement was not granted; that the easement would allow the City in the future to construct a two-story parking platform as long as the parking structure did not intrude into the proposed easement area; that per the City Attorney, the City would need to be compensated for the proposed easement area and the most accurate way is through a professional appraisal requiring the developer to pay for the appraisal with the appraiser working directly for the City; that the developers are not requesting Brownfield funding on the project nor any other economic incentive; discussed Brownfield funding and possible public benefits if City Council desired to use economic incentives such as earmarking tax increment dollars towards a parking platform or use future property tax increases from the project for more general uses such as shoreline repairs; that the proposed development appears to be in compliance with all downtown development codes; and that staff has concerns on the proposed access to the on-site underground parking through the Saville Lot.

Councilmembers discussed when the project would go to DMB and Planning Commission for review; use of a County Brownfield TIF for the project; if the hotel could be sold in the future; and that it is unknown what the City may want to do on third floor in the future.

The City Attorney reviewed that the City needs to be compensated for the easement and cannot donate; that the developer should pay for appraisal; and discussed the appraisal process.

Barry Polzin, representative for developers, reviewed the 50-room hotel, easement request and how the project conforms to City zoning requirements.

Eric Helzer, financial representative for developers, discussed how the City is not committed to economic incentives and various ways the TIF capture could be structured.

City Councilmembers further discussed various aspects of a Brownfield TIF and the approval process and the timeline for the various Boards and commissions involved. The City Manager noted that after an agreement is approved by Council, the appraisal would be performed and conceptual plans would go to Planning Commission for review.

Mayor Murphy asked for public comments and heard from those in support of the project and an air easement.

City Councilmember Wagner moved that, seconded by City Councilmember Shumway to direct the City Attorney to develop an agreement for City Council's consideration requiring the developer to pay for the costs of an appraisal in the determination of fair market value for the proposed easement area.

Said motion was adopted by the following vote:

AYES: Marshall, Shumway, Wagner, Walker, Murphy (5)

NAYS: None (0)

**Approve Economic Development Strategic Plan Update – Resolution No. 19400**

The City Planner reviewed that at its February 17 meeting, City Council heard the annual progress report on the Economic Development Strategy adopted on February 20, 2017 as one of the requirements of the Redevelopment Ready Communities (RRC) certification process; that Council gave direction on the priority sites and indicated that the Baptist Church at 502 Michigan Street be added as a priority site; that updates were included to Census and property assessment data; reviewed changes to priority redevelopment sites including addition of Baptist Church and removal of 900-1000 Bayview Road; and reviewed updates to public projects that have been completed and future additional projects.

Councilmembers discussed if City is working with Townships on affordable housing and if there have been conversations on a joint approach for affordable housing. The City Planner noted that conversations are going through other regional organizations and the document only addresses the City and the master plan addresses regional efforts.

City Councilmember Wagner moved that, seconded by City Councilmember Marshall adoption of the updated Economic Development Strategic Plan.

Said motion was adopted by the following vote:

AYES: Marshall, Shumway, Wagner, Walker, Murphy (5)

NAYS: None (0)

**Conduct First Reading of Proposed Ordinance to Conditionally Rezone Properties at 112, 116, 118 and 124 East Mitchell Street from B-1 Local Business and O-S Office Service Districts to B-2A Transitional Business**

The City Planner reviewed that a public hearing was held by the Planning Commission on December 12, 2019 on the request to rezone the subject property to B-2A Transitional Business from B-1 Local Business and O-S Office Service; reviewed concerns raised at the hearing regarding parking needs and proposed changes to the parking exempt district and parking requirements in the B-2A District; reviewed subject properties that were first proposed for rezoning in 2004 and ordinance requirements adopted in 2013; reviewed history of property and rezoning measures to discourage commercial creep into the Old Town Emmet Neighborhood, which the neighborhood boundary does not include the Family Video parcels; that she met with Mr. Pattullo, the new owner's architect in October 2019, to discuss options for the property and that it was in two zoning districts and a rezoning would be required for effective redevelopment; reviewed the concept of a two-story residential building with parking underneath and potentially some ground floor commercial space; reviewed reasons for rezoning to the B-2A District; reviewed the B-2A District and that its intent is to complement the historic urban core of the CBD, while providing a transition area to adjacent neighborhoods; that the applicant's representative suggested that the applicant would likely agree to certain conditions should Council agree to rezone the subject property; that Mr. Pattullo, on behalf of the applicant, wrote a letter to the City Planner voluntarily offering proposed zoning conditions; that the applicant signed the Voluntary Offer of Conditions to be effective April 27, 2020; and that the revised version of the proposed ordinance incorporated the applicant's voluntary conditions which constitutes a first reading.

City Councilmembers discussed parking requirements; discussed where parking would be located; why there is a need for another first reading; heard concerns with property uses; heard from those that favored that the developer agreed that use restrictions remain with the property for any future sale; and inquired on the timeline of project and limits to rezoning.

Mr. Pattullo noted that the idea is to have parking onsite on first floor or grade and would build around and over it; that parking isn't addressed as a zoning approval, but rather will be required in following parking exemption ordinance; that the applicant would have two years to act, otherwise rezoning would revert back if applicant doesn't request an extension; and reviewed that due to current circumstances it is unknown, but foresees it being at least a 12-month project once begun.

City Council will further review and conduct a second discussion of the proposed ordinance at the next regular scheduled meeting.



**Second Reading of a Proposed Ordinance Amending Sections 1704(c) Off-street Parking Exception to General Provision and 2903(3) Site Requirements in the B-2A Transitional Business District – Resolution No. 19401**

The City Planner reviewed that the Planning Commission unanimously, with one abstention, recommended two changes to the Zoning Ordinance related to parking requirements adjacent to the Central Business District, Sections 1704(c) Off-street Parking Exception to General Provision and 2903(3) Site Requirements in the B-2A Transitional Business District which would remove two areas currently in the exempt district so properties would be required to provide parking; that two properties in the northeast corner have been zoned RM-2 Multiple Family for many years, while the properties at the southwest corner, with the exception of the Family Video property, were rezoned to RM-2 Multiple Family from O-S Office Service in 2014; that the Planning Commission recommended rezoning to keep the properties residential, rather than encourage redevelopment into office uses; that there would only be an impact on these residential structures from the proposed ordinance change if an owner wanted to add units to any of the existing buildings; reviewed the proposed parking exempt district boundaries; and that off-street parking requirements in the B-2A District are no less than 75% of the full parking requirements per Section 1704 of the Zoning Ordinance.

City Councilmembers discussed the parcels being removed from parking exempt district and inquired if a home office has to have available parking. The City Planner noted that parcels being removed are residential and trying to preserve as residential and would look into if home businesses require additional parking.

City Councilmember Shumway moved that, seconded by City Councilmember Walker, to postpone decision on proposed ordinance until the May 18, 2020 City Council meeting.

Said motion was adopted by the following vote:

AYES: Marshall, Shumway, Wagner, Walker, Murphy (5)

NAYS: None (0)

**Hear Public Comment**

Mayor Murphy asked for public comments and there were no comments.

**Council Comments**

Mayor Murphy asked for Council comments and Councilmember Wagner thanked staff and residents for staying calm during these unprecedented times. Councilmember Walker thanked staff for continued efforts especially with the update to the Economic Development Strategic Plan. Mayor Murphy thanked City staff for the successful virtual meetings and that it is admirable that public is attending, is hopeful that the DMB will look into options in getting downtown businesses open and reminded residents to take the opportunity to shop local and continue social distancing.

There being no further business to come before the City Council, this May 4, 2020, meeting of the City Council adjourned at 9:05 P.M.

John Murphy, Mayor

Alan Terry, Clerk-Treasurer

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/20	05/12/2020	88893	Gulig, Anthony	101-266-802.000	66.19- V
05/20	05/12/2020	88893	Gulig, Anthony	204-481-802.000	66.19- V
05/20	05/12/2020	88893	Gulig, Anthony	582-588-802.000	66.19- V
05/20	05/12/2020	88893	Gulig, Anthony	592-549-802.000	66.19- V
05/20	05/12/2020	88893	Gulig, Anthony	592-560-802.000	66.19- V
05/20	05/12/2020	88893	Gulig, Anthony	101-266-802.000	719.04- V
05/20	05/12/2020	88893	Gulig, Anthony	101-266-802.000	.01- V
05/20	05/06/2020	88905	All-Phase Electric Supply	101-770-775.000	26.00
05/20	05/06/2020	88906	Amazon Credit Plan	271-790-751.000	109.70
05/20	05/06/2020	88906	Amazon Credit Plan	271-790-760.100	7.68
05/20	05/06/2020	88907	AT&T	592-560-850.000	243.07
05/20	05/06/2020	88907	AT&T	592-560-850.000	146.69
05/20	05/06/2020	88907	AT&T	592-558-920.000	245.18
05/20	05/06/2020	88907	AT&T	592-538-850.000	241.63
05/20	05/06/2020	88907	AT&T	592-538-850.000	241.63
05/20	05/06/2020	88907	AT&T	101-172-850.000	542.43
05/20	05/06/2020	88907	AT&T	101-201-850.000	289.30
05/20	05/06/2020	88907	AT&T	101-208-850.000	180.81
05/20	05/06/2020	88907	AT&T	101-257-850.000	180.81
05/20	05/06/2020	88907	AT&T	101-215-850.000	144.65
05/20	05/06/2020	88907	AT&T	101-345-850.000	397.76
05/20	05/06/2020	88907	AT&T	101-400-850.000	180.81
05/20	05/06/2020	88907	AT&T	101-756-850.000	216.97
05/20	05/06/2020	88907	AT&T	101-441-850.000	325.46
05/20	05/06/2020	88907	AT&T	204-481-850.000	108.49
05/20	05/06/2020	88907	AT&T	204-481-850.000	108.49
05/20	05/06/2020	88907	AT&T	582-588-850.000	361.62
05/20	05/06/2020	88907	AT&T	582-593-850.000	144.65
05/20	05/06/2020	88907	AT&T	592-549-850.000	216.97
05/20	05/06/2020	88907	AT&T	592-560-850.000	216.97
05/20	05/06/2020	88908	Bobcat of Lansing	661-020-140.000	77,388.91
05/20	05/06/2020	88909	Bradford Master Dry Cleaners	101-345-775.000	398.65
05/20	05/06/2020	88910	Cintas Corp #729	582-593-930.000	9.07
05/20	05/06/2020	88910	Cintas Corp #729	204-481-767.000	56.53
05/20	05/06/2020	88910	Cintas Corp #729	582-588-767.000	56.73
05/20	05/06/2020	88910	Cintas Corp #729	592-560-767.000	34.40
05/20	05/06/2020	88910	Cintas Corp #729	592-549-767.000	34.41
05/20	05/06/2020	88910	Cintas Corp #729	582-593-930.000	33.72
05/20	05/06/2020	88910	Cintas Corp #729	204-481-767.000	60.04
05/20	05/06/2020	88910	Cintas Corp #729	582-588-767.000	60.25
05/20	05/06/2020	88910	Cintas Corp #729	592-560-767.000	30.89
05/20	05/06/2020	88910	Cintas Corp #729	592-549-767.000	30.89
05/20	05/06/2020	88910	Cintas Corp #729	592-554-802.000	45.45
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-265-920.000	1,720.86
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-268-920.000	916.61
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-345-920.000	3,240.17
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-345-920.100	452.59
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-754-920.000	28.53
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-770-920.000	1,641.30
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-773-920.000	310.40
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	101-789-920.000	1,426.25
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	202-160-920.000	401.36
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	204-448-920.000	2,700.00
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	271-790-920.000	2,482.27
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	514-587-802.100	43.83
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	514-587-920.000	73.84

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05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	582-586-920.000	139.47
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	582-593-920.000	1,152.95
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	592-538-920.000	7,828.84
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	592-542-920.000	139.46
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	592-551-920.000	17,614.54
05/20	05/06/2020	88911	CITY TREAS. FOR UTILITY BILLS	592-555-920.000	1,054.99
05/20	05/06/2020	88912	Complete Paint & Supplies	101-770-775.000	247.43
05/20	05/06/2020	88912	Complete Paint & Supplies	101-770-775.000	81.22
05/20	05/06/2020	88912	Complete Paint & Supplies	101-345-775.000	39.42-
05/20	05/06/2020	88912	Complete Paint & Supplies	101-345-775.000	8.30
05/20	05/06/2020	88912	Complete Paint & Supplies	101-770-775.000	57.97
05/20	05/06/2020	88913	Dell Marketing L.P.	101-228-775.000	1,275.36
05/20	05/06/2020	88914	Derrer Oil Co.	661-598-759.000	440.16
05/20	05/06/2020	88915	Dunn's Business Solutions	582-593-751.000	31.95
05/20	05/06/2020	88915	Dunn's Business Solutions	582-588-751.000	31.96
05/20	05/06/2020	88915	Dunn's Business Solutions	592-549-751.000	31.96
05/20	05/06/2020	88915	Dunn's Business Solutions	592-560-751.000	31.96
05/20	05/06/2020	88915	Dunn's Business Solutions	661-598-751.000	31.96
05/20	05/06/2020	88915	Dunn's Business Solutions	204-481-751.000	31.95
05/20	05/06/2020	88916	Empiric Solutions Inc.	101-228-802.000	8,654.00
05/20	05/06/2020	88917	Englebrecht, Robert	101-257-802.100	3,750.00
05/20	05/06/2020	88918	Ferguson Enterprises LLC #2000	101-268-775.000	128.14
05/20	05/06/2020	88918	Ferguson Enterprises LLC #2000	101-770-934.000	1,399.00
05/20	05/06/2020	88919	GIVE 'EM A BRAKE SAFETY	101-770-775.000	1,384.80
05/20	05/06/2020	88920	Gordon Food Service	592-551-775.000	138.29
05/20	05/06/2020	88920	Gordon Food Service	101-770-775.000	17.97
05/20	05/06/2020	88920	Gordon Food Service	101-756-880.000	11.98
05/20	05/06/2020	88920	Gordon Food Service	101-770-771.000	17.97
05/20	05/06/2020	88921	GRP Engineering Inc.	582-588-802.000	1,991.50
05/20	05/06/2020	88921	GRP Engineering Inc.	582-588-802.000	15,673.00
05/20	05/06/2020	88922	Gulig, Anthony	101-266-802.000	33.10
05/20	05/06/2020	88922	Gulig, Anthony	204-481-802.000	33.10
05/20	05/06/2020	88922	Gulig, Anthony	582-588-802.000	33.10
05/20	05/06/2020	88922	Gulig, Anthony	592-549-802.000	33.10
05/20	05/06/2020	88922	Gulig, Anthony	592-560-802.000	33.10
05/20	05/06/2020	88922	Gulig, Anthony	101-266-802.000	359.50
05/20	05/06/2020	88923	Haviland Products Company	592-551-783.000	2,204.78
05/20	05/06/2020	88924	JETT PUMP & VALVE LLC	592-537-775.000	967.57
05/20	05/06/2020	88925	Kluck Nursery Inc.	101-770-802.100	6,160.00
05/20	05/06/2020	88926	Kring Chevrolet Cadillac, Dave	661-598-932.000	142.60
05/20	05/06/2020	88926	Kring Chevrolet Cadillac, Dave	661-598-932.000	432.71
05/20	05/06/2020	88926	Kring Chevrolet Cadillac, Dave	661-598-932.000	52.85
05/20	05/06/2020	88927	KSS Enterprises	101-265-775.000	130.03
05/20	05/06/2020	88927	KSS Enterprises	101-268-775.000	130.03
05/20	05/06/2020	88927	KSS Enterprises	101-754-775.000	195.05
05/20	05/06/2020	88927	KSS Enterprises	101-756-775.000	130.02
05/20	05/06/2020	88927	KSS Enterprises	101-770-775.000	325.08
05/20	05/06/2020	88927	KSS Enterprises	101-773-775.000	195.05
05/20	05/06/2020	88927	KSS Enterprises	101-789-775.000	195.05
05/20	05/06/2020	88927	KSS Enterprises	101-265-775.000	65.75
05/20	05/06/2020	88927	KSS Enterprises	101-268-775.000	65.75
05/20	05/06/2020	88927	KSS Enterprises	101-754-775.000	98.62
05/20	05/06/2020	88927	KSS Enterprises	101-756-775.000	65.75
05/20	05/06/2020	88927	KSS Enterprises	101-770-775.000	164.38
05/20	05/06/2020	88927	KSS Enterprises	101-773-775.000	98.63
05/20	05/06/2020	88927	KSS Enterprises	101-789-775.000	98.63

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05/20	05/06/2020	88927	KSS Enterprises	101-770-775.000	70.00
05/20	05/06/2020	88927	KSS Enterprises	101-770-775.000	187.86
05/20	05/06/2020	88927	KSS Enterprises	101-770-775.000	260.51
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	8.99
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	12.99
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	12.99
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	16.99
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-770-775.000	38.86
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	9.94
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-770-775.000	9.69
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	661-020-142.000	490.00
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	661-598-932.000	110.92
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	2.52
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	592-554-775.000	64.62
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	661-598-932.000	18.84
05/20	05/06/2020	88928	Lynn Auto Parts Inc.	101-345-775.000	12.00
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	14.38
05/20	05/06/2020	88929	Meyer Ace Hardware	101-345-775.000	12.58
05/20	05/06/2020	88929	Meyer Ace Hardware	582-586-775.000	10.23
05/20	05/06/2020	88929	Meyer Ace Hardware	514-587-802.100	33.60
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	3.59
05/20	05/06/2020	88929	Meyer Ace Hardware	101-345-775.000	23.33
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	15.28
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	80.59
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	15.35
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	53.99
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	47.95
05/20	05/06/2020	88929	Meyer Ace Hardware	592-555-775.000	48.50
05/20	05/06/2020	88929	Meyer Ace Hardware	592-537-775.000	38.31
05/20	05/06/2020	88929	Meyer Ace Hardware	271-790-955.000	33.27
05/20	05/06/2020	88929	Meyer Ace Hardware	101-268-775.000	17.06
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	18.87
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	27.46
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	38.13
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	17.24
05/20	05/06/2020	88929	Meyer Ace Hardware	101-268-775.000	17.99
05/20	05/06/2020	88929	Meyer Ace Hardware	101-268-775.000	3.58
05/20	05/06/2020	88929	Meyer Ace Hardware	101-268-775.000	3.22
05/20	05/06/2020	88929	Meyer Ace Hardware	101-345-775.000	750.00
05/20	05/06/2020	88929	Meyer Ace Hardware	101-770-775.000	94.47
05/20	05/06/2020	88929	Meyer Ace Hardware	661-598-786.000	1,636.37
05/20	05/06/2020	88929	Meyer Ace Hardware	592-549-785.000	80.98
05/20	05/06/2020	88930	Michigan Association of Planning	101-400-915.000	875.00
05/20	05/06/2020	88931	Mitchell Graphics Inc.	101-756-802.000	2,918.98
05/20	05/06/2020	88932	North Central Laboratories	592-553-775.000	4,524.10
05/20	05/06/2020	88933	On Duty Gear LLC	101-345-775.000	43.00
05/20	05/06/2020	88934	Preston Feather	101-770-970.000	4,499.95
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	149.68
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	76.67
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	82.45
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	3.79-
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	12.99
05/20	05/06/2020	88934	Preston Feather	101-345-775.000	38.97
05/20	05/06/2020	88934	Preston Feather	592-542-775.000	3.99
05/20	05/06/2020	88934	Preston Feather	101-773-931.000	217.09
05/20	05/06/2020	88934	Preston Feather	101-773-931.000	9.74

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05/20	05/06/2020	88934	Preston Feather	101-770-775.000	14.97-
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	7.67-
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	7.87-
05/20	05/06/2020	88934	Preston Feather	101-770-775.000	1.30-
05/20	05/06/2020	88934	Preston Feather	101-345-775.000	3.90-
05/20	05/06/2020	88934	Preston Feather	592-542-775.000	.40-
05/20	05/06/2020	88934	Preston Feather	101-773-931.000	21.70-
05/20	05/06/2020	88934	Preston Feather	101-773-931.000	.97-
05/20	05/06/2020	88935	Pro Image Design	661-598-931.000	79.38
05/20	05/06/2020	88935	Pro Image Design	101-770-802.000	2,597.00
05/20	05/06/2020	88936	Proclean North	582-593-930.000	1,396.50
05/20	05/06/2020	88937	Quality First Aid & Safety Inc.	592-551-775.000	106.40
05/20	05/06/2020	88938	Range Telecommunications	204-481-850.000	50.00
05/20	05/06/2020	88938	Range Telecommunications	101-756-850.000	13.60
05/20	05/06/2020	88938	Range Telecommunications	582-593-850.000	50.00
05/20	05/06/2020	88938	Range Telecommunications	592-560-850.000	50.00
05/20	05/06/2020	88938	Range Telecommunications	592-549-850.000	50.00
05/20	05/06/2020	88939	SiteOne Landscape Supply	101-770-775.000	227.69
05/20	05/06/2020	88939	SiteOne Landscape Supply	101-770-775.000	440.41
05/20	05/06/2020	88940	Skip's Petoskey Glass Inc.	101-268-802.000	3,289.00
05/20	05/06/2020	88941	State of Michigan-Department of LARA	582-081-642.300	3,622.04
05/20	05/06/2020	88941	State of Michigan-Department of LARA	582-081-642.400	729.56
05/20	05/06/2020	88941	State of Michigan-Department of LARA	582-081-642.500	6.44
05/20	05/06/2020	88941	State of Michigan-Department of LARA	582-081-642.200	169.28
05/20	05/06/2020	88942	Tetra Tech Inc	592-560-802.000	1,235.00
05/20	05/06/2020	88942	Tetra Tech Inc	592-549-802.000	1,235.00
05/20	05/06/2020	88943	Trace Analytical Laboratories LLC	592-553-802.000	152.40
05/20	05/06/2020	88944	Truck & Trailer Specialties	661-598-932.000	23.73
05/20	05/06/2020	88945	Up North Service LLC	204-550-802.000	125.00
05/20	05/06/2020	88946	Zaremba Equipment Inc.	661-598-932.000	1,920.09
05/20	05/06/2020	88946	Zaremba Equipment Inc.	661-598-932.000	2,821.44
05/20	05/13/2020	88951	ACH-CHILD SUPPORT	701-000-230.160	160.23
05/20	05/13/2020	88952	ACH-EFTPS	701-000-230.200	11,678.84
05/20	05/13/2020	88952	ACH-EFTPS	701-000-230.100	19,024.29
05/20	05/13/2020	88952	ACH-EFTPS	701-000-230.200	11,678.84
05/20	05/13/2020	88952	ACH-EFTPS	701-000-230.200	2,731.36
05/20	05/13/2020	88952	ACH-EFTPS	701-000-230.200	2,731.36
05/20	05/13/2020	88953	ACH-ICMA 457	701-000-230.700	2,074.04
05/20	05/13/2020	88953	ACH-ICMA 457	701-000-230.700	5,130.00
05/20	05/13/2020	88954	Aflac	701-000-230.180	728.62
05/20	05/13/2020	88955	Airgas USA LLC	661-598-785.000	26.63
05/20	05/13/2020	88955	Airgas USA LLC	661-598-785.000	56.91
05/20	05/13/2020	88956	AT&T	582-593-850.000	126.98
05/20	05/13/2020	88956	AT&T	592-558-920.000	241.07
05/20	05/13/2020	88956	AT&T	592-560-850.000	490.24
05/20	05/13/2020	88957	AT&T Long Distance	101-345-850.000	45.51
05/20	05/13/2020	88958	Ballard's Plumbing & Heating	101-770-775.000	24.48
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	101-172-724.000	943.69
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	101-208-724.000	764.75
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	101-345-724.000	7,655.49
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	101-441-724.000	1,572.82
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	204-481-724.000	2,909.72
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	271-790-724.000	393.21
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	514-587-724.000	786.42
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	592-549-724.000	3,517.18
05/20	05/13/2020	88959	BLUE CROSS\BLUE SHIELD - MICH.	592-560-724.000	393.21

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05/20	05/13/2020	88960	Cadillac Culvert Inc.	101-773-931.000	1,050.00
05/20	05/13/2020	88961	Char-Em United Way	701-000-230.800	75.00
05/20	05/13/2020	88962	Consumers Energy	592-538-920.000	3,773.84
05/20	05/13/2020	88963	David L Hoffman Landscaping & Nursery	204-470-802.000	13,500.00
05/20	05/13/2020	88963	David L Hoffman Landscaping & Nursery	204-470-802.000	1,350.00
05/20	05/13/2020	88963	David L Hoffman Landscaping & Nursery	101-770-802.100	12,484.50
05/20	05/13/2020	88964	Derrer Oil Co.	661-598-759.000	1,059.90
05/20	05/13/2020	88965	DuBois Chemicals Inc.	592-551-783.000	8,798.86
05/20	05/13/2020	88966	Dunkel Excavating Services Inc.	247-751-802.000	7,797.50
05/20	05/13/2020	88967	Factor Systems Inc.	101-208-803.000	5,925.84
05/20	05/13/2020	88968	Five Star Screen Printing Plus	101-756-808.110	830.00
05/20	05/13/2020	88969	Fraternal Order of Police	701-000-230.400	924.00
05/20	05/13/2020	88970	Gibby's Garage	582-593-930.000	34.00
05/20	05/13/2020	88970	Gibby's Garage	101-789-802.000	238.00
05/20	05/13/2020	88970	Gibby's Garage	582-590-802.000	68.00
05/20	05/13/2020	88970	Gibby's Garage	661-598-931.000	102.00
05/20	05/13/2020	88970	Gibby's Garage	661-598-932.000	918.00
05/20	05/13/2020	88970	Gibby's Garage	582-593-930.000	102.00
05/20	05/13/2020	88970	Gibby's Garage	661-598-931.000	272.00
05/20	05/13/2020	88970	Gibby's Garage	661-598-932.000	952.00
05/20	05/13/2020	88971	Haley's Plumbing & Heating	592-547-802.000	120.00
05/20	05/13/2020	88971	Haley's Plumbing & Heating	592-554-802.000	156.37
05/20	05/13/2020	88972	Harrell's LLC	101-754-775.000	65.00
05/20	05/13/2020	88972	Harrell's LLC	101-789-775.000	300.00
05/20	05/13/2020	88972	Harrell's LLC	101-770-775.000	255.00
05/20	05/13/2020	88972	Harrell's LLC	101-770-775.000	847.75
05/20	05/13/2020	88972	Harrell's LLC	101-756-775.000	847.75
05/20	05/13/2020	88972	Harrell's LLC	101-754-775.000	848.00
05/20	05/13/2020	88972	Harrell's LLC	101-789-775.000	848.00
05/20	05/13/2020	88972	Harrell's LLC	101-770-775.000	89.50
05/20	05/13/2020	88973	HISTORICAL SOCIETY OF MICHIGAN	271-790-915.000	65.00
05/20	05/13/2020	88974	Hubbell Roth & Clark Inc.	592-560-802.000	205.90
05/20	05/13/2020	88975	Hyde Services LLC	661-598-931.000	73.54
05/20	05/13/2020	88976	ICMA-ROTH	701-000-230.900	695.00
05/20	05/13/2020	88977	Ingram Library Services	271-790-760.000	32.43
05/20	05/13/2020	88978	Keep It Real Social LLC	248-739-880.200	2,000.00
05/20	05/13/2020	88979	McCardel Culligan	514-587-802.100	8.00
05/20	05/13/2020	88979	McCardel Culligan	101-770-802.000	46.75
05/20	05/13/2020	88980	Michigan Municipal League	101-101-915.000	3,917.00
05/20	05/13/2020	88981	Michigan Officeways Inc.	101-268-775.000	148.12
05/20	05/13/2020	88981	Michigan Officeways Inc.	101-215-751.000	109.98
05/20	05/13/2020	88982	Mountaintop Tree Company	204-470-802.000	45.00
05/20	05/13/2020	88983	Northern Copy Express Inc.	101-770-802.000	348.35
05/20	05/13/2020	88984	Play Environments Design LLC	101-770-931.000	487.00
05/20	05/13/2020	88985	Plunkett Cooney	101-266-802.000	717.50
05/20	05/13/2020	88985	Plunkett Cooney	101-266-802.000	1,850.00
05/20	05/13/2020	88985	Plunkett Cooney	101-257-802.000	630.00
05/20	05/13/2020	88985	Plunkett Cooney	101-266-802.000	11,539.50
05/20	05/13/2020	88985	Plunkett Cooney	101-266-802.000	907.42
05/20	05/13/2020	88985	Plunkett Cooney	204-481-802.000	907.42
05/20	05/13/2020	88985	Plunkett Cooney	582-588-802.000	907.42
05/20	05/13/2020	88985	Plunkett Cooney	592-549-802.000	907.42
05/20	05/13/2020	88985	Plunkett Cooney	592-560-802.000	907.42
05/20	05/13/2020	88985	Plunkett Cooney	101-266-802.000	9,866.40
05/20	05/13/2020	88986	Police and Firemen's Insurance	701-000-230.185	379.38
05/20	05/13/2020	88987	Print Shop, The	514-587-775.000	114.00

GL Period	Check Issue Date	Check Number	Payee	Invoice GL Account	Check Amount
05/20	05/13/2020	88988	Renkes, Tom	248-739-880.200	150.00
05/20	05/13/2020	88989	Royal Tire	661-598-931.000	178.94
05/20	05/13/2020	88989	Royal Tire	661-598-931.000	105.55
05/20	05/13/2020	88990	Ryan Brothers Inc.	247-751-802.000	8,074.69
05/20	05/13/2020	88991	Spectrum Business	592-560-850.000	37.04
05/20	05/13/2020	88992	Staples Advantage	101-268-775.000	181.98
05/20	05/13/2020	88992	Staples Advantage	101-770-751.000	23.34
05/20	05/13/2020	88992	Staples Advantage	101-756-751.000	23.34
05/20	05/13/2020	88992	Staples Advantage	101-215-751.000	94.56
05/20	05/13/2020	88992	Staples Advantage	101-268-775.000	126.56
05/20	05/13/2020	88993	Stuart C Irby Co	582-010-111.000	1,245.00
05/20	05/13/2020	88994	TEAMSTERS LOCAL #214	701-000-230.400	1,030.00
05/20	05/13/2020	88995	Thompson, William S.	514-587-802.100	778.47
05/20	05/13/2020	88996	T-Mobile	271-790-850.000	390.60
05/20	05/13/2020	88997	Traffic & Safety Control Systems Inc.	514-587-802.000	81.00
05/20	05/13/2020	88998	USA Blue Book	592-547-775.000	181.31
05/20	05/13/2020	88998	USA Blue Book	592-540-775.000	940.05
05/20	05/13/2020	88998	USA Blue Book	592-547-775.000	501.04
05/20	05/13/2020	88998	USA Blue Book	592-558-775.000	23.97
05/20	05/13/2020	88999	Verizon Wireless	101-345-850.000	62.51
05/20	05/13/2020	88999	Verizon Wireless	592-549-850.000	1.02
05/20	05/13/2020	88999	Verizon Wireless	582-588-850.000	6.33
05/20	05/13/2020	88999	Verizon Wireless	101-345-850.000	36.01
05/20	05/13/2020	88999	Verizon Wireless	101-770-850.000	36.01
05/20	05/13/2020	88999	Verizon Wireless	101-773-850.000	64.84
05/20	05/13/2020	88999	Verizon Wireless	101-789-850.000	64.36
05/20	05/13/2020	88999	Verizon Wireless	101-770-850.000	132.00
05/20	05/13/2020	88999	Verizon Wireless	101-345-850.000	132.00
05/20	05/13/2020	88999	Verizon Wireless	101-345-850.000	80.31
05/20	05/13/2020	88999	Verizon Wireless	592-538-850.000	80.04
05/20	05/13/2020	88999	Verizon Wireless	592-538-920.000	280.07
05/20	05/13/2020	89000	WESCO RECEIVABLES CORP.	582-010-111.000	8,475.56
Grand Totals:					413,505.90

## Report Criteria:

Check.Check issue date = 04/30/2020-05/13/2020

Check Number	Check Issue Date	Name	GL Account	Amount
88896	05/06/2020	Beattie, David	582081642300	1,000.00
88897	05/06/2020	Brummeler, Steve	582040285000	22.08
88898	05/06/2020	Deel, Nikki	101087654000	100.00
88899	05/06/2020	Demars, Parker	582040285000	13.34
88900	05/06/2020	Flore, Robert	582040285000	28.81
88901	05/06/2020	Lorie, Hastings	582081642300	215.25
88902	05/06/2020	Malkowicz, Dalton	582081642300	16.86
88903	05/06/2020	Muladore, Ashlen	582040285000	25.78
88904	05/06/2020	O'Neill, Willard	582040285000	54.88
88947	05/13/2020	Brown, Derrick	582081642300	56.09
88948	05/13/2020	Demars, Parker	582081642300	29.70
88949	05/13/2020	Quist, Stephanie	582081642300	33.72
88950	05/13/2020	Sych, Maria	582081642300	16.47
Grand Totals:				1,612.98





# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Appointment Recommendations

**RECOMMENDATION:** That the City Council consider these appointments

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The City Council will be asked to consider the following appointments:

- DOWNTOWN MANAGEMENT BOARD – Appointment of Marnie Duse, 429 Pearl Street, and Jennifer Shorter, 7017 Stanley Court, to fill two vacated terms expiring in 2020 and 2022.
- ZONING BOARD OF APPEALS – Reappointment of Jessica Shaw-Nolff, 517 East Lake Street, for a three-year term ending April 2023.

sb

Enclosures



# City of Petoskey

101 East Lake Street, Petoskey, Michigan 49770 • 231 347-2500 • Fax 231 348-0350

RECEIVED

FEB 26 2020

CITY OF PETOSKEY  
CITY MANAGER

CB

## Application to Serve on a Board or Commission

Please print. Answer each question accurately and completely. If you require any accommodation to complete the application process, please notify a City staff member.

Name	DUSE		MARNIE		T	Date	02 26 2020		
	Last		First		Initial				
Residence Address	429	Pearl St.	Petoskey	MI	49770	Home Phone	231 838 6987		
	Number	Street	City	State	Zip				
Email Address	marntd@gmail.com					Work Phone	231 347 3433		

Please answer the following questions using the space provided.

- What Board or Commission interests you and why are you applying? Downtown Management Board  
I have a vested interest in the downtown with owning a building and working at a family business. I want to see the downtown thrive.
- How do you believe your appointment would benefit the City? I would bring fresh ideas to the board and also, I am a proponent of trying to resolve the issue of all of the empty buildings that Cattle Co. owns.
- Describe any involvement in the community on a Board or Commission or in another volunteer capacity. Coordinator of the City of Petoskey Women's Soccer League for 25 years.
- How many continuous years have you lived in Petoskey? 26 yrs.
- Any other helpful information relevant to your application. Fun Fact: Born and raised in the apartment at 333 E. Mitchell St.

While it is not required, a resume is helpful in the recruitment process for City Boards and Commissions.

☒ YES ☐ NO Are you a City of Petoskey registered voter?

☐ YES ☒ NO Do you or immediate family members currently serve on a City Board or Commission? If yes, which Board or Commission?

☒ YES ☐ NO Are you applying to the Downtown Management Board? If yes, do you have an interest in property located in the downtown district or are you a resident of the downtown district? Please explain.  
I own the building at 323 E. Mitchell and my mother and I run The Circus Shop.

The applicant acknowledges that the City may be required from time to time to release records in its possession. The applicant hereby gives permission to the City to release any records or materials received by the City from the applicant as it may be requested to do so as permitted by the Freedom of Information Act, MCL 15.231 et seq.

Applicant Signature: Marnie T. Duse Date: 02/26/2020





# City of Petoskey

101 East Lake Street, Petoskey, Michigan 49770 • 231 347-2500 • Fax 231 348-0350

RECEIVED

DEC 23 2019

CITY OF PETOSKEY  
CITY MANAGER

SB

## Application to Serve on a Board or Commission

Please print. Answer each question accurately and completely. If you require any accommodation to complete the application process, please notify a City staff member.

■ Name	SHORTER	JENNIFER	A	■ Date	12	19	19		
	Last	First	Initial						
■ Residence Address	7017	STANLEY CT	PETOSKEY	MI	49770	■ Home Phone	231	838	5218
	Number	Street	City	State	Zip				
■ Email Address	jennifer@grandpashorters.com					■ Work Phone	231	347	2603

Please answer the following questions using the space provided.

- What Board or Commission interests you and why are you applying? Downtown Management Board / Downtown Development Authority
- How do you believe your appointment would benefit the City? As a lifelong retailer, I would bring a historical perspective to the Board, I bring the retailer perspective as well.
- Describe any involvement in the community on a Board or Commission or in another volunteer capacity. 12+ years on DDA/DMP, Marketing Committee Member for several years, Historic District Study Committee
- How many continuous years have you lived in Petoskey? 22 years Business owner for 19.
- Any other helpful information relevant to your application. \_\_\_\_\_

While it is not required, a resume is helpful in the recruitment process for City Boards and Commissions.

<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Are you a City of Petoskey registered voter?
<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Do you or immediate family members currently serve on a City Board or Commission? If yes, which Board or Commission?
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Are you applying to the Downtown Management Board? If yes, do you have an interest in property located in the downtown district or are you a resident of the downtown district? Please explain.
<u>Town shares of the building located at 311 E LAKE ST I RENT &amp; REPRESENT THE OWNERS TWO OTHER BUILDINGS.</u>	

The applicant acknowledges that the City may be required from time to time to release records in its possession. The applicant hereby gives permission to the City to release any records or materials received by the City from the applicant as it may be requested to do so as permitted by the Freedom of Information Act, MCL 15.231 et seq.

Applicant Signature: Jennifer Shorter Date: 12/19/19





# City of Petoskey

101 East Lake Street, Petoskey, Michigan 49770 • 231 347-2500 • Fax 231 348-0350

RECEIVED

MAR 09 2020

CITY OF PETOSKEY  
CITY MANAGER

CB

## Application to Serve on a Board or Commission

Please print. Answer each question accurately and completely. If you require any accommodation to complete the application process, please notify a City staff member.

■ Name	SHAW-NOLFF	JESSICA	L	■ Date	3	9	20		
	Last	First	Initial						
■ Residence Address	517	E. LAKE ST.	PETOSKEY	MI	49770	■ Home Phone	616	240	1449
	Number	Street	City	State	Zip				
■ Email Address	JNOLFF6@GMAIL.COM					■ Work Phone	616	240	1449

Please answer the following questions using the space provided.

- What Board or Commission interests you and why are you applying? PLANNING, ZONING, DOWNTOWN MANAGEMENT  
I am applying as I have an interest in what happens in our community and think my work and volunteer experience make me qualified to serve my community.
- How do you believe your appointment would benefit the City? I HAVE EXPERIENCE WORKING WITH AND FOR RESIDENTIAL AND COMMERCIAL DEVELOPERS. I RESIDE AND WORK DOWNTOWN AND HAVE A VESTED INTEREST IN THE FUTURE OF OUR CITY.
- Describe any involvement in the community on a Board or Commission or in another volunteer capacity. I CURRENTLY SERVE ON THE PETOSKEY PUBLIC SCHOOL BOARD AS WELL AS THE CHAR-EM UNITED WAY BOARD. I HAVE ALSO VOLUNTEERED IN MANY CAPACITIES OVER THE YEARS WITH BOTH MY TIME AND SERVICES AS A GRAPHIC DESIGNER.
- How many continuous years have you lived in Petoskey? 11
- Any other helpful information relevant to your application. I'M LOOKING TO STAY IN OUR COMMUNITY FOR YEARS TO COME, SO, I'M COMMITTED TO THE FUTURE GROWTH AND SUCCESS OF PETOSKEY. I THINK THE OTHER BOARDS I SERVE ON AND ACTIVITY IN THE COMMUNITY SHOW MY COMMITMENT AND CONCERN OVER ISSUES THAT EFFECT PETOSKEY.

While it is not required, a resume is helpful in the recruitment process for City Boards and Commissions.

- ☒ YES ☐ NO Are you a City of Petoskey registered voter?
- ☐ YES ☒ NO Do you or immediate family members currently serve on a City Board or Commission? If yes, which Board or Commission? \_\_\_\_\_
- ☒ YES ☐ NO Are you applying to the Downtown Management Board? If yes, do you have an interest in property located in the downtown district or are you a resident of the downtown district? Please explain.  
YES, I'M A RESIDENT AND A PART-TIME EMPLOYEE AT BEARCUB OUTFITTERS.

The applicant acknowledges that the City may be required from time to time to release records in its possession. The applicant hereby gives permission to the City to release any records or materials received by the City from the applicant as it may be requested to do so as permitted by the Freedom of Information Act, MCL 15.231 et seq.

Applicant Signature: \_\_\_\_\_

Date: 3.9.20

## PROFILE

Over the past 28 years, I have used my skills as a graphic designer to grow my own business and to contribute my time and talent to local organizations and community leaders. I hope to continue on this path and as I become more involved in the community.

## EDUCATION

**KENDALL COLLEGE OF ART & DESIGN, GRAND RAPIDS, MI — BFA, 1992**

## EXPERIENCE

**OWNER/DESIGNER, BIG SPLASH STUDIO, LTD. 2003-PRESENT**

Specializing in sign design, I work with sign manufacturers and salespeople across the country by creating scaled sign designs that are production-ready.

I also create print advertising for Bearcub Outfitters, in Petoskey, as well as graphics and campaigns for the Little Traverse Wheelway, Top of Michigan Trails Council, Emmet County Smart Commute, Char-Em United Way, Helping Hands for Rwanda, and several political candidates.

**BOOKKEEPER, MARKETING DIRECTOR, BEARCUB OUTFITTERS, PETOSKEY, MI 2009-PRESENT**

Working in Quickbooks, I manage the accounts payable, payroll, and enter daily sales. I also work to design and maintain the website and advertising calendar. I work with other staff to plan marketing for events and promotions.

**PROJECT MANAGER, TOL DEVELOPMENT, GRAND RAPIDS, MI 2003-2007**

I managed marketing of various commercial and residential developments. I worked closely with investors and potential tenants. I also designed marketing materials from websites, presentations, brochures, to signage; following them through to production and installation.

**PROJECT MANAGER/MARKETING, BENDERSON DEVELOPMENT, BUFFALO, NY 1997-2000**

As a project manager and principle sign designer, I worked with development tenants on their sign projects as well as working with manufacturers for plaza and corporate sign production.

**GRAPHIC DESIGNER, VALLEY CITY SIGN, GRAND RAPIDS, MI 1992-1997**

I created scaled, production-ready, sign designs for sales presentations and construction. I worked closely with sales people during concept and the fabricators and assemblers in the factory during production.

## SKILLS

Marketing and media software:

- Adobe Illustrator, Photoshop, Acrobat, and InDesign for sign and graphic design
- Squarespace.com for website production.
- Quickbooks for bookkeeping



## **COMMUNITY SERVICE**

**BOARD MEMBER, PETOSKEY PUBLIC SCHOOLS, 2019-PRESENT.** Served as Secretary of the School Board and on the Policy Review Committee, Health and Human Development Committee, Waste Reduction Committee, and Farm-to-School Initiative. I also volunteer weekly as a literacy aid in a first grade classroom, conduct a sixth grade bookclub, and with the Try-It Tuesday initiative with Groundworks.

**BOARD MEMBER, CHAR-EM UNITED WAY, 2017-PRESENT.** Serving on the Marketing and Special Events Committees, I have helped plan and market events and campaigns.

**PETOSKEY SCHOOLS ZERO WASTE INITIATIVE, 2018-PRESENT.** Spearheaded a collaboration with GroundWorks, Chartwells and Emmet County Recycling with the goal of eliminating polystyrene waste from our school cafeterias. I also volunteered at Ottawa Elementary on the implementation of a preliminary program. I hope to be a part of this program in the future and to see it roll into the other schools in the district.

**ACCOUNTING/BOOKKEEPING, PETOSKEY ROBOTICS, 2017-PRESENT.** I keep accounts for both the high school and middle school robotics teams in Petoskey. I work with coaches and school administration to keep records and budgets accurate.

**ART INSTRUCTOR, SHERIDAN ELEMENTARY, 2014-2015.** Taught a special, pull-out art class, bi-weekly at Sheridan Elementary for fifth graders with a special interest in art.

**CENTRAL ELEMENTARY PTO, PETOSKEY, MI, 2010-2013.** Board member-at-large.

**GIRL SCOUT LEADER, PETOSKEY, MI/GRANDVILLE, MI, 2007-2012.** I led students from Central Elementary in Petoskey from Brownies into Juniors. I also worked with a Daisy and Brownie troop in Grandville, MI.

**CLASSROOM VOLUNTEER, PETOSKEY, MI, 2009-2012.** I volunteered by reading to students, sorting Friday folders and chaperoning field trips at Central Elementary in Petoskey.

**CLASSROOM VOLUNTEER, GRANDVILLE, MI, 2004-2009.** Worked in the classrooms to assist teachers. I also worked one-on-one with students on literacy at Century Park Learning Center, Grandville, MI.

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**DATE PREPARED:** May 7, 2020

**AGENDA SUBJECT:** Second reading of an ordinance to conditionally rezone properties at 112, 116, 118, and 124 East Mitchell Street from B-1 Local Business and O-S Office Service Districts to B-2A Transitional Business

**RECOMMENDATION:** That City Council conduct a second reading of the proposed ordinance and possible action

**Background** A public hearing was held by the Planning Commission on December 12, 2019 on the request to rezone the subject property to B-2A Transitional Business from B-1 Local Business and O-S Office Service.

The concerns raised at the hearing were regarding parking needs of uses allowed in the B-2A District, which resulted in 4-4 vote on the request. However, the Commission did find there were benefits of the rezoning to B-2A and therefore worked to address the parking issues by proposing changes to the parking exempt district and parking requirements in the B-2A District.

Based on comments made at the first reading of the ordinance, the following background is provided.

The subject properties were first proposed for rezoning in 2004, when Family Video wanted to enlarge its store. At that time, the concern of the neighbors and Planning Commission was that the site would be too suburban and was not an appropriate entrance for an historic downtown. Since that time, the Planning Commission spent significant time in discussion of form-based codes and the importance of ensuring that the historic form of downtown was maintained, as well as a mix of uses that enhanced pedestrian orientation. Ultimately, a hybrid ordinance was created for the B-2 Central Business District (adopted in 2013). The promotes vehicle use rather than pedestrian-oriented mix of uses is allowed in the district.



When the Planning Commission was developing the B-2A Transitional Business District and B-2B Mixed Use Corridor (2013-2014), this block was again discussed. At that time, the lot with the Family Video store was zoned B-1 Local Business and the remainder of the block was zoned O-S Office Service. The discussion at the Commission level was that the Family Video properties should be rezoned to B-2 Central Business District to require redevelopment of the site consistent with the form of downtown – buildings built to the property line, a minimum of two stories and a mix of uses- rather than allowing the type of development that had been proposed for the Family Video expansion. At the same time, the Commission recommended rezoning the remainder of the block to RM-2 Multiple Family from O-S Office Service to discourage commercial creep into the Old Town Emmet Neighborhood (the neighborhood boundary does not include the Family Video parcels).



The discussion at the Commission level was that the Family Video properties should be rezoned to B-2 Central Business District to require redevelopment of the site consistent with the form of downtown – buildings built to the property line, a minimum of two stories and a mix of uses- rather than allowing the type of development that had been proposed for the Family Video expansion. At the same time, the Commission recommended rezoning the remainder of the block to RM-2 Multiple Family from O-S Office Service to discourage commercial creep into the Old Town Emmet Neighborhood (the neighborhood boundary does not include the Family Video parcels). City Council only adopted the rezoning to RM-2 as they had concerns with rezoning the Family Video property because there was no pending development and concerns were raised with the possible uses of the B2 District.

The City Planner met with Mr. Pattullo, the new owner's architect in October, 2019, to discuss options for the property. As the property was in two zoning districts, a rezoning would be required for effective redevelopment. The concept was a two story residential building with parking underneath and potentially some ground floor commercial space. Staff suggested a rezoning to the B-2A for several reasons. First and foremost, this property is at the entrance of downtown and therefore its redevelopment should enhance that entrance by having a form indicating one has arrived to the historic commercial core of the community and is leaving the auto-oriented development pattern of W. Mitchell Street. The B-2A District restricts building setbacks to a maximum of 15 feet and allows a building to be placed up to street-fronting property lines, while the current zoning of the block has no setback maximum and allows drive-through uses with no restriction that they be placed to the rear of a structure. Second, the B-2A District does not have a residential density limit based on lot size so the critical need for housing could be better addressed. Third, the site has limited site access and could effectively use the alley to the south of the property if the building is placed up to the E. Mitchell Street property line, similar to buildings in the B-2 District. Fourth, the B-2A is a mixed-use district with building form that enhances pedestrian orientation. Finally, the maximum height of the B-2A District is three (3) stories, 33 feet, which is the same height limit as the zoning of the remainder of the block (RM-2), and in fact, a similar height to many of the two-story downtown buildings.

### **Discussion**

The intent of the B-2A District is to complement the historic urban core of the Central Business District, while providing a transition area to adjacent neighborhoods. The district has a less intensive development pattern than the Central Business District in that it allows for single story buildings and ground floor residential, but still allows for a zero lot-line building along street-fronting sides and a wide mix of permitted uses.



A unique attribute to the site is the greenspace that was created when E. Mitchell Street was realigned to create a perpendicular intersection with US-31. A zero-lot line building on the site would be between 20 and 60 feet from the curb, rather than within eight (8) feet of the curb as existing zero-lot line buildings on West or East Mitchell Streets. The corner property has two front yards and two side yards.



The Future Land Use Map identifies these properties as Neighborhood Mixed Use, while the south end of the block is identified as Mixed Residential. City Council should consider whether the zoning of this property should enable development more compatible with the remainder of the block that is a mix of single and multiple family dwellings, or more compatible with the Central Business District.

Based on concerns raised by City Council regarding the uses allowed in the B-2A District, the Applicant's representative, Michael Pattullo, AIA, of Shoreline Architecture Design, suggested during the public meeting that the Applicant would likely agree to certain conditions should Council agree to re-zone the subject property. The Michigan Zoning Enabling Act, at MCL 125.3405, allows for conditional rezoning should an owner voluntarily offer, in writing, certain use and development of land as a condition to a rezoning. The conditions must be approved by the City and the City may establish a time period during which the conditions apply to the land. On April 8, 2020, Mr. Pattullo, on behalf of the Applicant, wrote a letter to the City Planner voluntarily offering proposed zoning conditions (see attached). Subsequently on April 17, 2020, Mr. Pattullo clarified the terms of the conditions. Based on the Applicant's offer, the City Attorney attempted to clarify Applicant's position pursuant to his correspondence dated April 27, 2020, which included an outline of the Voluntary Offer of Conditions pursuant to MCL 125.3405 (copy attached). The applicant signed the Voluntary Offer of Conditions to be effective April 27, 2020, which conditions are included in the revised version of the proposed Ordinance Amendment (copy attached). The revised version of the Ordinance, which now incorporates Applicant's Voluntary Conditions, would constitute a first reading.

**Recommendation** Staff recommends approval of the ordinance.

at  
Enclosures



April 8, 2020

**DRAFT**

Amy Tweeten  
City Planner  
City of Petoskey  
101 East Lake Street  
Petoskey, MI 49770

Re: Proposed Site Use Conditions for 124 Mitchell Street

Amy,

I am writing to request an amendment to the application we prepared on behalf of Howard Property Partners, LLC (Owner) seeking rezoning of 112, 116, 118 and 124 E. Mitchell Street to B-2A Transitional Business District. The proposed amendment shall impose limitations regarding the permitted use(s) of the property and a commitment by the Owner to provide multi-family housing on the upper floors of the proposed building to be constructed on the site.

As such, it is proposed that the following uses be excluded from the Permitted and Special Condition Uses identified in Table 2901.1 of the City of Petoskey Code of Ordinances:

- Brewpub, microbrewery, winery
- Food service with or without alcohol service
- Open-air business
- Public Assembly

Furthermore, the Owner commits to provide multi-family housing on the upper two floors of the proposed building to be initially constructed on the site. However, should future market conditions or a subsequent building owner determine that a change of use is warranted, this change of use shall be permitted subject to a) applicable zoning restrictions imposed at the time of the potential change and b) the excluded uses identified above.

As the Applicant, we request that these proposed conditions be placed on the rezoning request currently before the City Council.

Feel free to contact me if you have any questions or need additional information.

Regards,

Michael H. Pattullo, AIA  
President



April 27, 2020

Michael H. Pattullo, AIA  
Shoreline Architecture Design  
8 Pennsylvania Plaza  
Petoskey, MI 49770  
VIA EMAIL: [mike@shorelinearchitecture.com](mailto:mike@shorelinearchitecture.com)

RE: Proposed Site Use Conditions for 124 Mitchell Street

Dear Mr. Pattullo:

I've reviewed your letter of April 8, 2020 and your email of April 17, 2020, both of which discussed proposed voluntary conditions and restrictions with regard to the rezoning of the properties commonly known as 112, 116, 118, and 124 E. Mitchell Street.

As these conditions were transmitted from Mr. Berg of Howard Property Partners, LLC to you and then to the City, I want to make sure that the City is clear as to what's being offered by your client. To that end, I've attached a summary of what I believe to have been presented in your letter and email as proposed voluntary conditions.

Please have Mr. Berg review this document carefully and confirm that I have understood the offer correctly and that I have included all of his conditions. If the document is complete and accurate, please have Mr. Berg or the appropriate authorized representative of Howard Property Partners, LLC sign and date the document and return a copy to me. If the document is incorrect in any respect – if I have misunderstood the conditions offered or if the document is incomplete or deficient in any way - please clarify the conditions (if any) that are being offered by Howard Partners, LLC for consideration by the City.

We want to emphasize again that the attached document contains my understanding based on the statements of offers of conditions contained in your letter of April 8, 2020 and your email of April 17, 2020, all of which were strictly voluntary in nature. The City is not requiring that any conditions be offered as a requirement for rezoning.

We look forward to hearing from you and appreciate your assistance in clarifying the City's understanding of your client's offer.

Very truly yours,

James J. Murray  
Plunkett Cooney  
(231) 348-6413  
[jmurray@plunkettcooney.com](mailto:jmurray@plunkettcooney.com)

**ATTORNEYS & COUNSELORS AT LAW**

303 Howard Street • Petoskey, MI 49770 • T: (231) 347-1200 • F: (231) 347-2949 • [plunkettcooney.com](http://plunkettcooney.com)

### **VOLUNTARY OFFER OF CONDITIONS**

I, Robert S. Berg, as authorized by and on behalf of Howard Property Partners, LLC, hereby voluntarily offer the following conditions consistent with MCL 125.3405 with respect to my rezoning request of 112, 116, 118, and 124 E. Mitchell Street to B-2A Transitional Business District:

- The following uses will be excluded from the Permitted and Special Condition Uses identified in Table 2901.1 of the City of Petoskey Code of Ordinances with regard to this property:
  - Brewpub, microbrewery, winery
  - Food service with or without alcohol service
  - Open-air business
  - Public assembly
- The property will be cleared (with the existing building demolished) and graded within two years, absent an extension by the City at the request of the owner
- The owner shall provide multi-family housing on the upper two floors of the proposed building to be constructed on the site; however, should future market conditions or a subsequent building owner determine that a change of use is warranted, a change of use shall be permitted subject to:
  - Applicable zoning restrictions imposed at the time of the change of use; and
  - The excluded uses set forth above
- This offer, if accepted by the City, shall be enforceable by the City as a zoning or contract matter.



Robert S. Berg, as Member and  
Authorized Representative of  
Howard Property Partners, LLC

Dated effective: April 27, 2020

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE TO AMEND THE ZONING DISTRICT MAP OF THE CITY OF PETOSKEY AS SET FORTH IN ORDINANCE NO. 451, THE ZONING ORDINANCE OF THE CITY OF PETOSKEY TO RE-ZONE SPECIFIC PROPERTIES FROM THE O-S OFFICE SERVICE DISTRICT AND THE B-1 LOCAL BUSINESS DISTRICT TO THE B-2A TRANSITIONAL BUSINESS DISTRICT.**

**WHEREAS**, a request to rezone 112, 116, 118, 124 E. Mitchell Street from O-S Office Service and B-1 Local Business to B-2A Transitional Business was made on November 8, 2019; and

**WHEREAS**, the subject properties are located at the entrance to downtown and adjacent to US 31 and hold a single-story structure and three vacant lots within two different zoning districts; and

**WHEREAS**, successful redevelopment of the property necessitates that all parcels have the same zoning; and

**WHEREAS**, rezoning of the subject properties to B-2A is consistent with the City of Petoskey Master Plan objectives of guiding development and redevelopment in a manner that will maintain high quality living and working environments for current and future residents, ensuring that future infill development or redevelopment is compatible with and enhances existing residential areas, and maintaining and enhancing Downtown Petoskey as the regional economic and cultural center of the community; and

**WHEREAS**, the proposed rezoning is consistent with the Future Land Use Map of the Petoskey Master Plan; and

**WHEREAS**, the Petoskey Planning Commission held a public hearing on the rezoning request at its December 19, 2019 meeting; and

**WHEREAS**, after the public hearing, the Petoskey Planning Commission had a tie vote (4-4) on the request and therefore failed to make a recommendation to City Council that the Zoning District Map be amended to add the subject properties to the B-2A Transitional Business District due to the concern of the property being located in the parking exempt district; and

**WHEREAS**, the Planning Commission held a public hearing at its February 20, 2020 meeting, and recommended to City Council that Sections 1704(c) and 2903(3) be amended to reduce the size of the parking exempt district, removing the subject properties from said district, and decreasing the parking requirements to 75% of full requirements in the B-2A Transitional Business District to promote a more pedestrian-oriented development pattern; and

**WHEREAS**, the concern of the Planning Commission with the rezoning of 112, 116, 118, 124 E. Mitchell to B-2A Transitional Business has been addressed should the proposed changes to Sections 1704(C) and 2903(3) be approved by City Council; and

**WHEREAS**, upon hearing the concerns raised by City Council regarding the entirety of uses allowed in the B-2A District, the property owner subsequently and voluntarily submitted conditions for the rezoning; and

**WHEREAS**, the City has considered the voluntary conditions and determined that the conditions further the above goals of enhancing existing residential areas and the community and are additionally consistent with anticipated future land uses;

**NOW THEREFORE**, the City of Petoskey ordains:

1. City Council accepts the conditions offered by the property owner with respect to Lots 1, 2, 3 and 4 of Block 3, Ignatius Petoskey's Addition to the Village of Petoskey City recorded in Liber 1 of Plats, Page 7, Emmet County Records.
2. Lots 1, 2, 3 and 4 of Block 3, Ignatius Petoskey's Addition to the Village of Petoskey City recorded in Liber 1 of Plats, Page 7, Emmet County Records are rezoned to B-2A Transitional Business District, subject to all applicable zoning usages, standards, regulations, requirements, and conditions of that district, except as modified herein.
3. In addition to the zoning provisions applicable to B-2A Transitional Business District properties, the above properties shall be subject to the following additional conditions:
  - a. The upper two stories of the building will be restricted to multi-family residential housing; and
  - b. The following commercial uses listed in Table 2901.1 shall not be allowed: brewpub, microbrewery, winery, food service with or without alcohol service, open air businesses, and public assembly.
4. The conditional rezoning is subject to the following timing considerations:
  - a. The properties will be cleared, including the demolition of any existing structures, and the land graded within twenty-four (24) months, absent an extension by the City at the request of the owner. Should this process not be completed in this time period, the zoning will revert to the previous zoning districts.
  - b. The condition that the upper two stories of the building be restricted to multi-family residential housing shall exist until such

time that the City determines to rezone said properties to remove or modify this restriction in light of a change in conditions rendering a change to the zoning ordinance appropriate.

- c. The condition not to allow brewpub, microbrewery, winery, food service with or without alcohol service, open air businesses, and public assembly shall exist until such time that the City determines to rezone said properties to remove or modify this restriction in light of a change in conditions rendering a change to the zoning ordinance appropriate.

5. The Zoning District Map of the City of Petoskey shall be, and the same hereby is, amended in order that the following described property be shown as located in the B-2A Transitional Business District and the Zoning classification hereafter for said property shall be B-2A Transitional Business. The property hereby re-zoned, subject to the above conditions, is described as follows:

All of Lots 1, 2, 3 and 4 of Block 3, Ignatius Petoskey's Addition to the Village of Petoskey City recorded in Liber 1 of Plats, Page 7, Emmet County Records.

5. The various parts, sections and clauses of this Ordinance are hereby declared to be severable. If any part, sentence, paragraph, section, or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the Ordinance shall not be affected thereby.
6. This Ordinance shall take effect fifteen (15) days following its enactment and shall be published once within seven (7) days after its enactment as provided by Charter.

Adopted, enacted and ordained by the City of Petoskey City Council this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
John Murphy  
Its Mayor

\_\_\_\_\_  
Alan Terry  
Its Clerk



**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**DATE PREPARED:** May 7, 2020

**AGENDA SUBJECT:** Third reading of an ordinance to amend Sections 1704(c) Off-street Parking Exception to General Provision and 2903(3) Site Requirements in the B-2A Transitional Business District

**RECOMMENDATION:** That City Council conduct a third reading

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**Background** At its February 20, 2020 meeting, the Planning Commission unanimously (with one abstention) recommended two changes to the Zoning Ordinance related to parking requirements adjacent to the Central Business District, Sections 1704(c) Off-street Parking Exception to General Provision and 2903(3) Site Requirements in the B-2A Transitional Business District.

**Changes to Section 1704(c) Off-street Parking Exception to General Provision** The current parking exempt area is defined in Section 1704(c) of the Zoning Ordinance and includes the area inside the red line as well as the two blue areas on the map below. However, the two blue areas on the map below are primarily residential properties, do not have parking meters, nor are they monitored or enforced by the Parking Services Office.

The two properties in the northeast corner have been zoned RM-2 Multiple Family for many years, while the properties at the southwest corner – with the exception of the Family Video property were rezoned to RM-2 Multiple Family from O-S Office Service in 2014. The Planning Commission recommended that rezoning to keep the properties residential, rather than encourage redevelopment into office uses.

There would only be an impact on these residential structures from the proposed ordinance change if an owner wanted to add units to any of the existing buildings. At that point, the sufficiency of parking would be evaluated. As many of the lots do not meet current zoning standards for size or lot coverage- even for single family dwellings- parking is down on the list of reasons additional units could not be created.



Map created with Emmet County  
and City data (alt 2-21-20)

In the event that a property did have sufficient size to add units and they could show that the ordinance amendment (i.e., the change to the parking exempt district boundary) created a practical difficulty, a variance request would be the correct remedy pursuant to Section 2004(a) of the Petoskey Zoning Ordinance.

To be clear, the properties would be grandfathered as they are today – sale of property does not require properties to be brought into compliance with current zoning regulations.

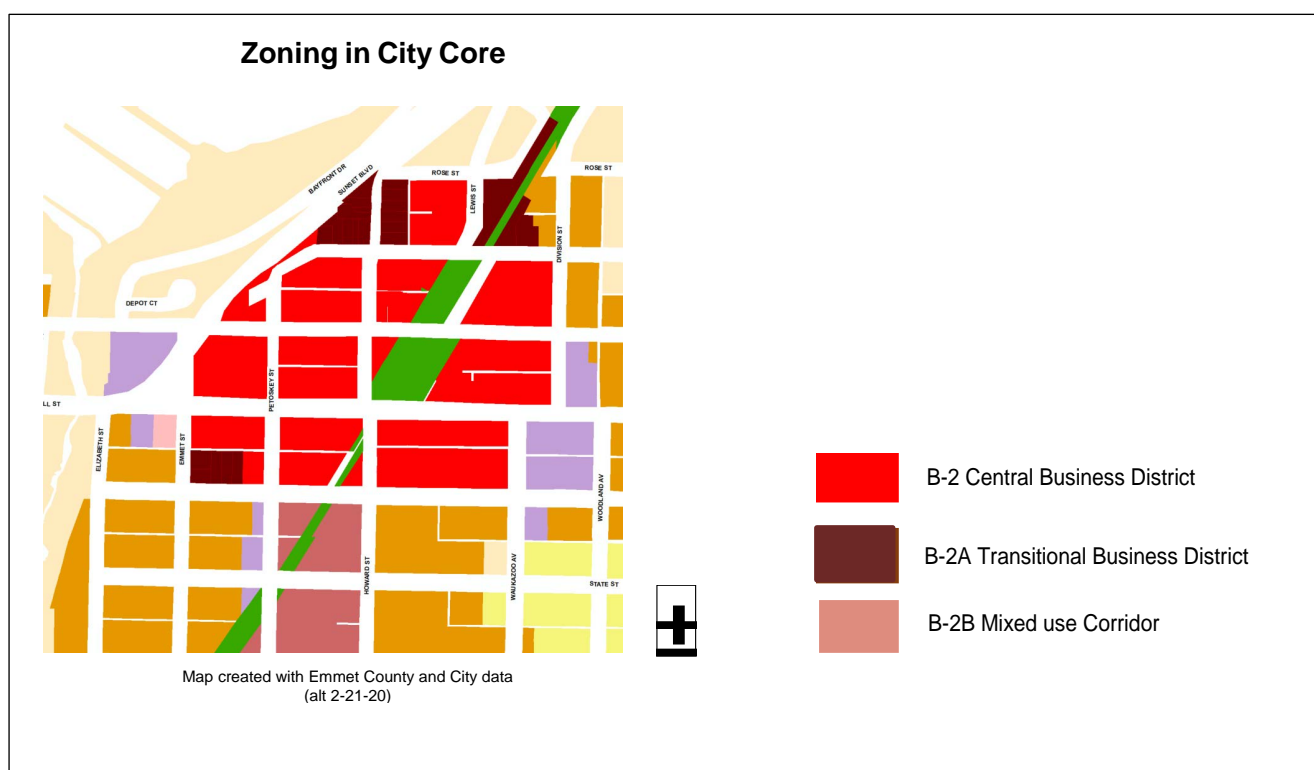


For the properties zoned B-1 Local Business and O-S Office Service along E. Mitchell Street, the ordinance change would require any redevelopment to provide on-site parking.

**Change to Section 2903(3) Site Requirements in the B-2A Transitional Business District**

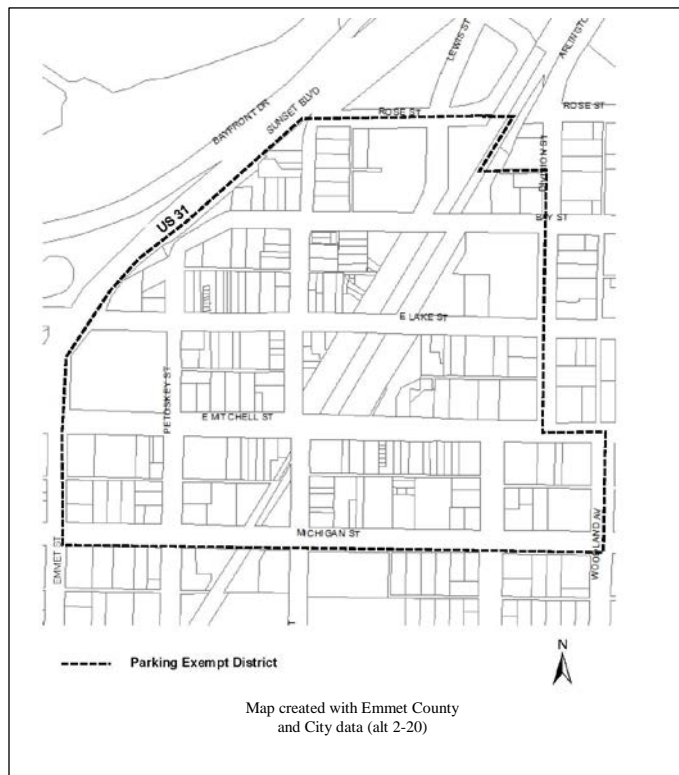
The second proposed change to Section 2903(3) would amend the B-2A Transitional Business District to allow a reduction in the amount of on-site parking to no less than 75% of the full parking requirements per Section 1704 of the Zoning Ordinance, which would be consistent with the B-2B Mixed Use Corridor, the other district provided as a “step-down” district from the Central Business District. The intent of both districts is to provide a transition area to adjacent neighborhoods that maintains and promotes a pedestrian-friendly environment.

This change is recommended at this time because of the proposed rezoning of 112, 116, 118 and 124 from B-1 Local Business and O-S Office Service to B-2A Transitional Business, which is a separate ordinance and will be explained further in that agenda memo.



**Summary** The two proposed text amendments with highlighted changes are below.

Section 1704(c) *Exception to general provisions.* The area delineated as the Central Business Parking Exempt District is exempt from providing off-street parking, but if off-street parking and loading requirements are provided, the lot shall meet all applicable design standards of this Zoning Code. The Central Business Parking Exempt District is defined as the area bounded by Michigan Street on the south, Rose Street on the north, U.S. 31 and Emmet Street on the west, and on the east, it follows Woodland and Division streets to a point 138 feet north of the Bay Street right-of-way to an east-west alley, thence west to the former railroad corridor now identified as the Downtown Greenway Corridor, thence northeast until it reaches the Rose Street right-of-way as illustrated below:



### 2903(3) Site Requirements:

- (a) Parking shall only be permitted as accessory to an immediately adjacent principal use.
- (b) Parking lot development is only allowed in the rear or side yards and screened with a hedge or finished wall of at least three feet and no more than four feet in height from view of any public street, alley, parkland or adjacent residential property.
- (c) Parking spaces shall be set back a minimum of three feet from the property line.

(d) Off-street parking requirements in the B2-A District are no less than 75 percent of the requirements of Table 1704(h).

**Recommendation** Based on public comment, the recommendation of the Planning Commission and clarifications provided above, staff recommends that City Council adopt the enclosed ordinance to amend Sections 1704 and 2903 of the Zoning Ordinance.

at  
Enclosures

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE TO AMEND SECTIONS 1704(C) AND 2903(3) OF APPENDIX A,  
ZONING ORDINANCE, OF THE PETOSKEY CODE OF ORDINANCES**

WHEREAS, an objective of the City of Petoskey Master Plan is to maintain and enhance Downtown as the regional economic and cultural center of the community; and

WHEREAS, it is acknowledged that to accomplish a dense urban core there is a need for municipal parking to discourage development of private surface parking lots that remove existing buildings and negatively impacting the pedestrian orientation of the downtown; and

WHEREAS, there exists a parking exempt district in the downtown area described in Section 1704(c) of the Zoning Ordinance where on-site parking is not required for any permitted use; and

WHEREAS, the periphery areas of the Central Business District, including the B-2A Transitional Business and B-2B Mixed Use Corridor, are also intended to maintain a pedestrian orientation; and

WHEREAS, the Planning Commission held a public hearing on changes to Section 1704(c) and 2903(3) of the Zoning Ordinance that would reduce the size of the parking exempt district, and reduce parking requirements in the B-2A Transitional Business to no less than 75% of full requirements; and

WHEREAS, the Planning Commission recommends that the changes to Sections 1704(c) and 2903(3) of the Zoning Ordinance be approved to ensure that existing public parking is not overly burdened by future redevelopment at the periphery of downtown, while also promoting a pedestrian-oriented development pattern:

NOW THEREFORE, the City of Petoskey ordains:

**1. Section 1704(c) of Appendix A to the Petoskey Code of Ordinances is hereby amended as follows:**

*Exception to general provisions.* The area delineated as the Central Business Parking Exempt District is exempt from providing off-street parking, but if off-street parking and loading requirements are provided, the lot shall meet all applicable design standards of this Zoning Code. The Central Business Parking Exempt District is defined as the area bounded by Michigan Street on the south, Rose Street on the north, US 31 and Emmet Street on the west, and on the east, it follows Woodland and Division Streets to a point 138 feet north of the Bay Street right-of-way to an east-west alley, thence west to the former railroad corridor now identified as the Downtown Greenway Corridor, thence northeast until it reaches the Rose Street right-of-way as illustrated below:



2. **Section 2903(3) of Appendix A to the Petoskey Code of Ordinances is hereby repealed and replaced with the following:**

Sec. 2903(3) Site Requirements

- (a) Parking shall only be permitted as accessory to an immediately adjacent principal use.
- (b) Parking lot development is only allowed in the rear or side yards and screened with a hedge or finished wall of at least three (3) feet and no more than four feet in height from view of any public street, alley, parkland or adjacent residential property.
- (c) Parking spaces shall be set back a minimum of three feet from the property line.
- (d) Off-street parking requirements in the B2-A District are no less than 75 percent of the requirements of Table 1704(h).

3. **Conflicting Standards.**

If any of the standards set forth in this amendment conflict with any other standards of previous or further ordinances or amendments, the stricter standards shall apply.

4. **Repeal; Savings Clause.**

All ordinances, resolutions, or orders, or parts thereof, in conflict with the provisions of this ordinance are, to the extent of such conflict, repealed.

5. **Severability.**

The various parts, sections and clauses of this Ordinance are hereby declared to be severable. If any part, sentence, paragraph, section or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the Ordinance shall not be affected thereby.

6. **Effect.**

This ordinance shall take effect fifteen (15) days following its enactment and shall be published once within seven (7) days after its enactment as provided by Charter.

Adopted, enacted and ordained by the City of Petoskey City Council this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
John Murphy  
Its Mayor

\_\_\_\_\_  
Alan Terry  
Its Clerk



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Discussion Regarding a Potential Brownfield Plan for the Bay and Howard Street Proposed Hotel Development

**RECOMMENDATION:** That City Council discuss and provide direction to staff

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**Background** At the May 4, 2020 City Council meeting, representatives for the Bay and Howard Street hotel project presented their conceptual plans with discussion on the feasibility of establishing a Brownfield Plan for the site as well as improvements to the Saville Lot. As information on revenue sources was limited, the City Manager completed additional research including whether State education tax dollars may be available if the City were to pursue a potential Brownfield Plan.

To this end, the City Manager spoke to Dan Leonard from MEDC regarding a potential Brownfield Plan for the proposed Howard and Bay Street hotel. According to Mr. Leonard, State education taxes and taxes levied for school operating purposes may be available for reimbursement of eligible activities associated with a Brownfield Plan. There is a very good chance the State may approve an additional 18 mills to reimburse the City and developer for eligible activities. This would be in addition to the local millage of 24 mills that would be levied upon the additional tax dollar capture generated by the hotel. Keep in mind that the local school district and ISD are made whole by the State and will not see any reductions in their funding. Estimates from the developer show State funding to be \$1.6 million with local funding amounting to \$1.9 million.

Although very early in the process, proposed eligible activities at this point include environmental clean-up of the hotel site, demolition and lead and asbestos remediation totaling \$441,514 for developer reimbursements. Eligible activities for the City are associated with the construction of a two-story parking platform that could include a potential green roof or solar panels. Local taxes and State education taxes would reimburse the City an estimated \$3,146,386 for the project. These are all estimates at this point and the details of the plans would be further defined as we move through a lengthy Brownfield review process. Included in your packet is a summary of Brownfield options completed by the developers dated May 13, 2020.

The use of State education tax dollars would substantially increase the amount of tax revenues for the project at no revenue loss to the local school district or ISD. There would be very little risk to the City as the City would only be obligated to construct the parking platform when the hotel development is completed and sufficient additional tax increment dollars are available to the City to pay off annual debt service associated with a parking platform. Overall, the initial estimated revenue sources are as follows:

Brownfield Estimated Costs	Estimated Captured Taxes		
	State	City	Other Local
\$3,587,900	\$1,633,493	\$981,750	\$972,657

Although whether to pursue a Brownfield Plan is a policy decision by City Council, in the City Manager's professional opinion, the City Council should give serious consideration to development of a Brownfield Plan especially if state education tax dollars could be used for the parking platform. I also think the DMB could be a partner in building the parking platform by dedicating a portion of their parking meter revenues to assist reimbursing the City for annual debt service on the parking platform. There are also tremendous synergies associated with a covered parking platform that will increase tax revenue for the City in the long-run. Most notably, developers have stated that the lack of covered parking is the greatest impediment to transitioning second and third-story downtown buildings to residential units.

Included in this agenda item are the following informational documents:

- Michigan Economic Development Corporation (MEDC) Community Development Brownfield Program Overview
- MEDC-Adopting a Brownfield Plan

If City Council is interested in further discussing a Brownfield Plan for the proposed hotel, the developer has offered to develop a Brownfield 381 Action Plan that would give more financial detail on the proposed project. It is a basic preliminary step to explore the financial feasibility of a potential Brownfield Plan. Ultimately, the final financial calculations would need to be developed through the City and Emmet County Brownfield Authority that will take several months to develop.

The hotel conceptual plans are scheduled to be reviewed by the Planning Commission on May 21, 2020. Staff recommends that no official action be taken by City Council at this point. Staff recommends the Planning Commission fully review the development proposal and send any comments to City Council for the next Council meeting on June 1, 2020.

**Action** General discussion-no action needed.

rs  
Enclosures

## PROPOSED BAY STREET HOTEL PROJECT OPTIONS – WITH AND WITHOUT A BROWNFIELD PLAN

As of May 13, 2020

1. **No Brownfield Plan** – The City and Developer forego any benefit to reimburse costs toward their estimated \$3,587,900 in activities eligible under a Brownfield Program derived from estimated Local and State Tax Increment Revenue captures created by the Hotel investment. This choice eliminates future City Councils the opportunity of ever capturing over \$1.6 million of State Tax Revenue from the Hotel project for reimbursement of an estimated \$3.1 million City Parking Structure. To be eligible for tax increment revenue capture, a Brownfield Plan requires adoption before the private Hotel investment is made.

Brownfield	Estimated Captured Taxes		
Estimated Cost	State	City	Other Local
\$ 3,587,900	\$ 1,633,493	\$ 981,750	\$ 972,657

2. **Brownfield Plan Options** – City and Developer benefit by receiving reimbursement of their eligible Brownfield costs toward their proposed projects under the Brownfield Program from Local and State Tax Increment Revenue captures created by the Hotel investment. Only capturing newly created incremental revenues from the proposed private Developers project investment.

Estimated Eligible Activities and Costs (Developer/City) State/Local Tax Increment Revenue Capture	Total Estimated Cost	City Portion	Developer Portion
Environmental Eligible Activities Subtotal	\$ 275,288	\$ 68,213	\$ 207,075
Non-Environmental Eligible Activities (Demolition, Lead & Asbestos, Site Preparation) Subtotal	\$ 234,440	\$ -	\$ 234,440
Non-Environmental Eligible Activities (Infrastructure Improvements {i.e. Parking Structure}) Subtotal	\$ 3,078,173	\$ 3,078,173	\$ -
<b>PROPOSED BROWNFIELD PLAN GRAND TOTAL (ENVIRONMENTAL &amp; NON-ENVIRONMENTAL ELIGIBLE ACTIVITIES)</b>	<b>\$ 3,587,900</b>	<b>\$ 3,146,386</b>	<b>\$ 441,514</b>

- ✓ **Option #1:** This is a 2-Step Process toward allowing for both City's and Developer's eligible activities to be completed over a longer period, beyond 5 years.

### **Step 1 – Year 2020**

Prepare a Brownfield Plan for Local (City / County) Approval and an Act 381 Work Plan for State (EGLE / MSF) Approval

- Covers Eligible Activity costs for Developer (\$441,514) only currently.
- Allows use of State Tax Increment Revenues for Developer costs and positions the City in the future to request use of State Tax Increment Revenues for its Parking Structure.
- Allows for up to 5 years to complete Developer activities.

### **Step 2 – Year to be determined**

At a time, the City deems appropriate, amend the previously adopted Brownfield Plan for Local (City / County) Approval and amend the Act 381 Work Plan for State (EGLE / MSF) Approval

- Adds and covers Eligible Activity costs for City (\$3,146,386).
- Allows the use of State Tax Increment Revenues for City.
- Allows for up to 30 years to complete City activities.



- Pros:
    - Allows for the property to be “greened” / cleaned up.
    - Hotel is built, provides certainty to City of actual tax revenues available to service future City debt for the Parking Structure.
    - Gives the City several years to decide if it wants to construct the Public Parking Structure and if it decides to build it then City processes amendments to seek approval of a Brownfield Plan Amendment and Act 381 Work Plan Amendment.
  - Cons:
    - City will not be able to capture State Tax Increment Revenues from the Hotel project until the Brownfield Plan and Act 381 Work Plan are both amended and approved.
    - Cost of construction will most certainly rise over time and thus the Parking Structure cost projections will change requiring more Tax Increment Revenue to reimburse the City expenses.
    - Uncertainty of environment, policy, or willingness of the State in the future to approve of an amendment of the Act 381 Work Plan.
    - Possible changes to the legislation (PA 381, as amended) could change the incentive needed to reimburse eligible activity costs of the City.
- ✓ **Option #2:** Year 2020 - Prepare a Brownfield Plan for Local (City / County) Approval and an Act 381 Work Plan for State (EGLE / MSF) Approval
- Covers Eligible Activity costs for Developer (\$441,514) and City (\$3,146,386).
  - Allows the ability to use State Tax Increment Revenues to reimburse costs.
  - Allows for up to 5 years to complete Developer and City activities. If City in that timeframe does not wish to proceed with Parking Structure, then the Brownfield is deemed complete because the City’s costs of \$3,146,386 were not incurred and thus are not reimbursed.
  - Pros:
    - Allows for the property to be “greened” / cleaned up.
    - Hotel is built, provides certainty to City of actual tax revenues available to service future City debt for the Parking Structure.
    - Gives the City 3 Years to decide if it wants to construct the Public Parking Structure and 2 Years to complete it.
  - Cons:
    - If more time is needed to build the Parking Structure beyond 5 Years, amendments to the Brownfield Plan and Act 381 Work Plan will be required.

## COMMUNITY DEVELOPMENT BROWNFIELD PROGRAM OVERVIEW

The Brownfield Program uses tax increment financing (TIF) to reimburse brownfield related costs incurred while redeveloping contaminated, functionally obsolete, blighted or historic properties. It is also responsible for managing the Single Business Tax and Michigan Business Tax Brownfield Credit legacy programs (SBT/MBT Brownfield Credits).

The Michigan Strategic Fund (MSF) with assistance from the Michigan Economic Development Corporation (MEDC), administers the reimbursement of costs using state school taxes (School Operating and State Education Tax) for non-environmental eligible activities that support redevelopment, revitalization and reuse of eligible property. The MEDC also manages amendments to SBT/MBT Brownfield Credit projects approved by MSF. The Michigan Department of Environmental Quality (MDEQ) administers the reimbursement of environmental response costs using state school taxes for environmental activities, and local units of government sometimes use only local taxes to reimburse for eligible activities (i.e., “local-only” plans). The state statutory authority for the Brownfield Redevelopment Financing Act program is Act 381 of 1996, as amended (Act 381).

Two categories of eligible activities under TIF are available across the state; demolition and lead and asbestos abatement. Two additional eligible activities are available in any qualified local government unit<sup>1</sup> (QLGU) or on property owned by a land bank; site preparation and infrastructure improvements. Land banks may also be reimbursed for costs related to conveying and managing property that is in their possession. The non-environmental program generally targets industrial site reuse, and urban development with mixed-use components.

The Brownfield Redevelopment Authority (BRA) is the local jurisdiction entity that manages the development of brownfield plans. After approval of a brownfield plan by the local governing body, the BRA may request capture of state school taxes via a work plan submitted to the MEDC and/or MDEQ. There are 295 BRAs in Michigan, and approximately 467 brownfield plans that are active or have been completed across the state (as reported to the MEDC in September 2015). These

authorities vary in terms of their participation with MSF and/or MDEQ to request state school taxes for TIF reimbursement.

MEDC staff recommends policy documents, school tax capture work plans, school tax capture amendments and amendments to SBT/MBT brownfield credits to the MSF for consideration. The MEDC manages all work plans and SBT/MBT brownfield credits approved by the board, including assuring reporting obligations and compliance.

Eligible program uses under TIF include:

- Demolition
- Lead and asbestos abatement
- Site preparation
- Infrastructure improvements
- Assistance to land banks and local government units

Eligible program uses under legacy SBT/MBT Brownfield Credits include:

- Demolition
- Lead and asbestos abatement
- Building renovation
- New construction
- Purchased or leased equipment

### TAX INCREMENT FINANCING PROCESS

The work plan submission and approval is a multiple step process. Work plans are received on an ongoing basis and eligible activities must be in accordance with the Act 381 guidance issued by MEDC. Once a project is identified, the BRA or local government representative works with MEDC staff to perform the following steps:

#### I. Initial evaluation

- a. Project scoping and submittal of a draft work plan and other supporting documentation provided to MEDC community assistance team or business development manager to determine initial support.
- b. MEDC leadership consideration of initial support and if supported, letter of interest provided.

<sup>1</sup>As defined in PA 146 of 2000, MCL 125.2781 to 125.2797

## II. Work plan submission, review and MSF consideration

- a. BRA or local government representative submits a work plan or amended work plan, brownfield plan, approving resolutions, transmittal letter, and executed reimbursement agreement to MEDC after project is approved by local governing body.
- b. Due diligence performed to verify that BRA is compliant with Act 381 reporting requirements. MEDC staff reviews proposed eligible activities for compliance with MSF guidance, and makes a recommendation to the MSF board or delegated representative.
- c. MSF board or delegated representative determines support for the project.
- d. Local government unit administers TIF capture and is subject to reporting requirements.

## III. Reporting requirements (TIF work plans only)

- a. BRA submits information annually to MEDC via online portal for each project currently collecting tax increment revenue
- b. MEDC and MDEQ compiles information and provides report to legislature.

## SBT/MBT BROWNFIELD CREDITS

### I. Amendments

- a. Amendment application is submitted and amendment request is vetted by brownfield program staff and brownfield program leadership.
- b. If amendment is supported, remaining amendment request forms and any other materials required for review is submitted to brownfield program staff.
- c. MSF board or delegated representative determines support for the project.

### II. Project completion

- a. Qualified taxpayer sends certificate of completion request to MEDC brownfield staff.
- b. Certificate of completion request is reviewed and sent to MEDC compliance for review.
- c. If certificate of completion request fulfills statutory requirements, certificate of completion is issued. Qualified taxpayer may then submit the certificate of completion to Department of Treasury for refund, or tax abatement

## CONTACT INFORMATION

For more information, contact the MEDC customer contact center at 517.373.9808.



# Adopting a Brownfield Plan

Pursuant to the  
Brownfield Redevelopment Financing Act,  
1996 PA 381, as amended  
Gretchen Whitmer, Governor



MICHIGAN DEPARTMENT OF  
ENVIRONMENT, GREAT LAKES, AND ENERGY

Liesl Eichler Clark, Director

Michigan Department of Environment, Great Lakes,  
and Energy

[www.michigan.gov/eglebrownfields](http://www.michigan.gov/eglebrownfields)



Uptown at Rivers Edge Redevelopment  
City of Bay City



MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

Jeff Mason, CEO

Michigan Economic Development Corporation

<https://www.mplace.org/programs/brownfield-tax-increment-financing/>

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## INTRODUCTION

The Brownfield Redevelopment Financing Act, 1996 Public Act (PA) 381, as amended (Act 381) (Michigan Compiled Law [\[MCL\] 125.2651 through 125.2672](#)) authorizes Brownfield Redevelopment Authorities (BRAs) to approve Brownfield Plans and Act 381 Work Plans that help revitalize, redevelop, and reuse contaminated, blighted, functionally obsolete, or historic resources. Under Act 381, eligible school and local tax revenues can be captured and used to reduce the burden of brownfield-related costs when redeveloping affected properties through a process called tax increment financing (TIF).

Act 381 prescribes the powers and duties of BRAs and certain powers and duties of the Michigan Department of Environment, Great Lakes, and Energy (EGLE) and the Michigan Strategic Fund (MSF). The Michigan Economic Development Corporation (MEDC) serves as staff support to the MSF.

The following document is provided by EGLE and the MSF to assist with the preparation of and adoption process for Brownfield Plans to allow for the capture of local tax increment revenue (TIR) and/or as the first step to allow for the capture of state school TIR.

***This guide is designed to clarify parts of Act 381, but should not be relied upon as a substitute for a thorough reading and understanding of the statute. Users should contact their legal counsel regarding any issues with Act 381.***

## ACRONYMS OR DEFINITIONS

BRA – Brownfield Redevelopment Authority  
CIA – Corridor Improvement Authority  
DDA – Downtown Development Authority  
EGLE – Michigan Department of Environment, Great Lakes, and Energy  
LBRF – Local Brownfield Remediation Fund  
LID – Low Impact Design  
LBFTA – Land Bank Fast Track Authority  
MBT – Michigan Business Tax  
MCRP – Michigan Community Revitalization Program  
MCL – Michigan Compiled Laws  
MEDC – Michigan Economic Development Corporation  
MSF – Michigan Strategic Fund  
NREPA – Natural Resources and Environmental Protection Act  
P.E. – Professional Engineer  
QLGU – Qualified Local Governmental Unit  
SBRF – State Brownfield Revolving Fund  
SET – State Education Tax  
TIF – Tax Increment Financing  
TIR – Tax Increment Revenues  
TRA – Targeted Redevelopment Area

“School” tax increment financing – includes state education tax plus taxes levied for school operating purposes (does not include intermediate school district [ISD] tax which is considered a local tax)

## Part 1 - Eligibility

### Eligible Property

To be considered eligible, property must be included in a Brownfield Plan and qualify as either a facility, functionally obsolete, blighted, historic resource, transit oriented property or development or targeted redevelopment area;

Properties are tax identification parcels that have corresponding legal descriptions.

**"Facility/site/property"** is defined by Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101(s) (also see [Part 201 Citizen's Guide](#)) or defined by Part 213, Leaking Underground Storage Tanks of NREPA, MCL 324.21303(d) and (m). The parcel(s) needs to be determined to be a facility (site or property) prior to preparation of a Brownfield Plan. Parcels adjacent or contiguous to a facility (site or property) do not have to be facilities (sites or properties) for non-environmental eligible activities to be conducted on them if the development of those parcels is estimated to increase the captured taxable value of the eligible property.

**"Blighted"** means property that meets any of the following criteria as determined by the governing body:

Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance.

Is an attractive nuisance to children because of physical condition, use, or occupancy.

Is a fire hazard or is otherwise dangerous to the safety of persons or property.

Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.

Is tax reverted property owned by a qualified local governmental unit, by a county, or by this state. The sale, lease, or transfer of tax reverted property by a qualified local governmental unit, county, or this state after the property's inclusion in a Brownfield Plan shall not result in the loss to the property of the status as blighted property for purposes of this act.

Is property owned or under the control of a land bank fast track authority (LBFTA) under the land bank fast track act, 2003 PA 258, as amended, MCL 124.751 through 124.774, whether or not located within a qualified local governmental unit (QLGU). Property included within a Brownfield Plan prior to the date it meets the requirements of this subdivision to be eligible property shall be considered to become eligible property as of the date the property is determined to have been or becomes qualified as, or is combined with, other eligible property. The sale, lease, or transfer of the property by a LBFTA after the property's inclusion in a Brownfield Plan shall not result in the loss to the property of the status as blighted property for purposes of this act.

Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

**"Functionally obsolete"** means that the property is unable to be used to adequately perform the



function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or superadequacies in design, or other similar factors that affect the property itself, or the property's relationship with other surrounding property.

**“Historic Resource”** means a publicly or privately owned historic building, structure, site, object, feature or open space either man-made or natural, individually listed, or located within and contributing to a historic district designated by the national register of historic places, the state register of historic sites, or a local unit acting under the Local Historic Districts Act, 1970 PA 169, MCL 399.201 through 399.215.

**“Targeted Redevelopment Area (TRA)”** means between at least 40 and no more than 500 contiguous parcels located within a QLGU and designated as a TRA by resolution of the governing body and approved by the MSF.

*A Brownfield Plan must be developed for a TRA. The TRA designation must be approved by both the local jurisdiction and the MSF, regardless if it is local only tax capture. No more than five TRAs may be approved per year across the state, and there is a maximum of two per jurisdiction, per year.*

*The TRA Brownfield Plan should fully describe what the goals of the project are and why the area should qualify for the designation. MSF will consider support for a TRA based on the prevalence of Brownfield conditions throughout the proposed area, and the likelihood that designation will lead to significant alleviation of Brownfield conditions. Capture on all parcels must begin at the same time within 5 years of inclusion in the Brownfield Plan.*

**“Transit oriented property”** means property that houses a transit station in a manner that promotes transit ridership or passenger rail use.

**“Transit oriented development”** means infrastructure improvements that are located within ½ mile of a transit station or transit oriented property that promotes transit ridership or passenger rail use as determined by the municipality.

**“Adjacent and/or contiguous”** means parcels adjacent and/or contiguous to eligible property if the development of the adjacent and/or contiguous parcels is estimated to increase the captured taxable value of that property. *Property adjacent to a facility may be included in a Brownfield Plan, but eligible activities can only occur on the eligible property.*

*Publicly owned streets, alleyways, waterways, public or private easements, or similar divisions crossing or separating parcels may be ignored when determining adjacent and/or contiguous status, as long as the divided or separated parcel is under the same ownership as the qualifying property and is within reasonable distance and no major obstruction between the parcels.*

## **Eligible Activities**

Eligible Activities are actions that are undertaken to redevelop a brownfield property, the costs for which are eligible for reimbursement via TIF. The MSF approves eligible activities based on QLGU (or Core Community) status. Please see the detailed list [here](#) to determine whether your municipality is a QLGU.

In general the following activities are eligible under Act 381:

- Brownfield Plan and Act 381 Work Plan preparation
- Brownfield Plan and Act 381 Work Plan implementation
- Interest paid on eligible activities

## **Eligible Environmental Activities**

- Pre-demolition and building hazardous materials surveys
- Asbestos, mold, and lead surveys
- Department specific activities including:
  - Site investigations and baseline environmental assessments (BEAs)
  - Due care activities including preparing a plan for compliance with due care
  - Response activities
  - Removal and closure of underground storage tanks (USTs)
  - Disposal of solid waste, as defined in Part 115, Solid Waste Management, of NREPA, MCL 324.11501 through 324.11554
  - Dust control during construction
  - Removal and disposal of contaminated lake or river sediments
  - Industrial cleaning
  - Sheeting and shoring necessary for safe removal of contaminated materials
  - Lead, mold, or asbestos abatement when they are an imminent and significant threat
  - Demolition that is a response activity
  - Environmental insurance
  - Other environmental actions in addition to the minimum requirements of due care
- According to Act 381 Section 13b(9)(b), local TIR may be used to conduct eligible environmental activities on eligible property or prospective eligible properties prior to approval of a Brownfield Plan, if those costs and eligible property are subsequently included in a Brownfield Plan.

## **Non-Environmental Eligible Activities**

- Statewide
  - Lead, mold, or asbestos surveys and abatement
  - Site and building demolition that is not a response activity
  - Relocation of public buildings or operations for economic development purposes
- Site located in a QLGU, economic opportunity zone, or that is a former mill
  - Infrastructure improvements that directly benefit an eligible property
  - Site preparation that is not a response activity
- Site owned or controlled by a QLGU or LBFTA
  - Infrastructure improvements that directly benefit an eligible property
  - Site preparation that is not a response activity
  - Assistance clearing or quieting a title to, selling, or otherwise conveying property and acquisition of a property by the QLGU or LBFTA

***Please consult with EGLE and/or MEDC staff prior to incurring costs so all parties clearly understand***

*which activities are potentially eligible, and the timeframe for incurring the costs. Any costs incurred for MSF eligible activities prior to approval of the Brownfield Plan, Work Plan, or Combined Brownfield Plan are made at the risk of the project, and school TIF may not be approved for those activities.*

*Costs incurred for EGLE eligible activities prior to Work Plan approval are not eligible for reimbursement for school TIF with the exception of pre-approved activities. Eligible activities may be conducted using only local TIR without EGLE approval of a Work Plan.*

*Refer to the [Act 381 Work Plan Guidance](#) for further information on costs EGLE and MSF may consider eligible for capture of school taxes and submittal of an Act 381 Work Plan or Combined Brownfield Plan.*

## **Part 2 - Tax Increment Financing**

### **Initial Taxable Value and Increment**

Cleanup and redevelopment of a brownfield property will increase the taxable value of the property, and therefore will increase the property taxes generated from the property. The increased tax revenues above the base taxable value resulting from redevelopment are known as Tax Increment Revenue (TIR), or more commonly as captured taxes. Taxes captured under Act 381 can reimburse eligible environmental and non-environmental activity costs. Taxing jurisdictions continue to receive base year tax revenues until the Brownfield Plan ends, at which time the TIR reverts to the taxing jurisdictions.

The property's initial taxable value (or "base year") can be the year in which the Brownfield Plan is approved, or the next assessment year following approval of the Brownfield Plan.

If TIR is not generated for three consecutive years due to declines in taxable value, the initial assessed (taxable) value may be lowered through a Brownfield Plan amendment once during the term of the Plan.

### **Tax Increment Revenue Initial Capture Date and Capture Period**

For eligible property included in a Brownfield Plan, the beginning date of capture of TIR shall be identified to begin up to five years from the Brownfield Plan approval date, after which, the 30 year limit for capture begins. The beginning date of capture may not be amended if the jurisdiction has begun to reimburse costs on the eligible property.

TIR capture does not have to be collection of actual dollars, but is the date that was set in the Brownfield Plan to begin capture within five years of the eligible property being approved in the Brownfield Plan.

A Brownfield Plan that did not include tax capture, but was created for the purposes of an MBT tax credit cannot be amended to begin capture if it is outside of five years from the original approval date. However, the Brownfield Plan is considered valid for the term of the MBT credit eligible investment period.

If an eligible property was not previously included in the Brownfield Plan and is being added via an amendment, the beginning date of capture of TIR can begin up to five years from the date that the eligible property is included in the amended Brownfield Plan. The number of years of tax capture for the eligible properties in the original Brownfield Plan remains the same as originally approved.

If seeking capture of state school taxes, the [TIF table](#) template format provided by EGLE and MSF is required for approval.

### **TIR and Applicable Taxes**

TIR from all ad valorem, personal property, and specific taxes, including taxes levied for school operating purposes, are eligible for capture with approval from EGLE and/or MSF. The intermediate school district tax is not a school tax under Act 381.

If a new millage is passed by the jurisdiction after the Brownfield Plan has been approved, that new millage is added to, and captured as, TIR.

Neither ad valorem special assessments nor State Essential Services Assessments are available for capture under a Brownfield Plan. Taxes levied to pay off specific obligations such as bonds are typically not available for capture.

The amount of allowable local and school tax capture is limited to the actual cost of eligible activities

approved by EGLE and/or MSF, except as provided by Act 381 Section 8 for deposit into the local brownfield revolving fund (LBRF).

**Proportionality of School and Local Taxes**

If seeking to capture school TIR, refer to the [Act 381 Work Plan Guidance](#) for information regarding the proportionality between school and local taxes.

## **Part 3 - Liability**

### **Liable Party Prohibitions for Environmental Activities**

Act 381 Section 13(b)(1) does not prohibit a BRA from using local TIR to conduct environmental eligible activities when a party who is responsible for an activity causing a release (responsible party or person) under MCL 324.20126 and MCL 324.21323a may benefit from the project. However, school TIR cannot be used when a responsible party may benefit. Refer to the [Act 381 Work Plan Guidance](#) for help on liability questions.

## Part 4 - Local Brownfield Revolving Fund

According to Act 381 Section 8, a BRA may establish a Local Brownfield Revolving Fund (LBRF) and approve TIR capture in excess of eligible costs.

- Excess TIR captured for the LBRF cannot exceed the total cost of eligible EGLE activities approved in the Brownfield Plan.
- Excess school TIR captured for the LBRF cannot exceed the total cost of eligible EGLE activities in an approved Act 381 Work Plan.
- School TIR may not be captured on eligible activities approved by the MSF for deposit into the LBRF.

The BRA may use both local and school portions of the LBRF to conduct eligible activities on other eligible properties without EGLE or MSF approval.

Act 381 does not expressly prohibit a BRA from establishing an LBRF after a Brownfield Plan has been adopted. However, if tax capture has begun or is completed for a specific project, then the BRA should amend the Brownfield Plan to capture TIR for an additional five years or up to the statutory limits of funding (no more than the original amount of TIF and no more than the amount of school TIR approved for capture) for the LBRF.

*If you are requesting school TIR for your LBRF, EGLE requires an Act 381 Work Plan that includes a description of the eligible activities and will undertake its normal review of those activities.*

## Part 5 – Brownfield Plans

A Brownfield Plan has three main functions:

1. It establishes the boundary of the eligible property
2. It describes how the eligible property qualifies as a Brownfield
3. It outlines the costs of the eligible activities that must be undertaken to alleviate the Brownfield conditions and prepare the site for redevelopment

Please see the Brownfield Plan Template or Combined Brownfield Plan Instructions on the MEDC website for a detailed explanation of specific information that needs to be incorporated into the Brownfield Plan.

### How to Adopt a Brownfield Plan

#### Step 1 – Brownfield Plan Preparation

Act 381 Section 13(2) requires a Brownfield Plan to include:

- A description of the costs to be paid with the TIR
- A brief summary of the eligible activities proposed for each eligible property
- For properties owned or controlled by a LBFTA, a listing of all eligible activities and a brief summary of eligible activities that may be conducted on one or more of the eligible properties
- An estimate of the anticipated captured taxable value and TIR from the eligible property for each year of the Brownfield Plan, including deposits in the LBRF
- The method by which the cost to implement the Brownfield Plan will be financed, including a description of any advances made from the municipality
- The maximum amount of note or bonded indebtedness to be incurred, if any
- The proposed beginning date and duration of TIR
- An estimate of the total anticipated TIR for the duration of the Brownfield Plan for all taxing jurisdictions in which the eligible property is located
- Eligible property information including:
  - A legal description of the eligible property(ies)
  - A map showing the location and dimensions of each eligible property
  - A statement of the characteristics that make the property eligible
  - A statement indicating whether personal property is included in the eligible property's taxable value
  - If the project is located on property that is functionally obsolete, the taxpayer shall include with the application, an affidavit signed by a Michigan Certified Assessing Officer (former level 3 assessor) or Michigan Master Assessing Officer (former level 4 assessor), which states that it is the assessor's expert opinion that the property is functionally obsolete and the underlying basis for that opinion.
- An estimate of the number of persons residing on each eligible property to which the Brownfield Plan applies and the number of families and individuals to be displaced
- A plan for establishing priority for the relocation of persons displaced by implementation of the Brownfield Plan
- Provision for the costs of relocating persons displaced by implementation of the Brownfield Plan, and financial assistance and reimbursement of expenses, including litigation expenses and expenses incidental to the transfer of title, in accordance with the standards and provisions of Chapter 61, Federal Uniform Relocation Assistance and Real Property Acquisition Policies for Federal and Federally Assisted Programs, of the Public Health and Welfare Law, U.S. Code 42,



as amended 4601 through 4655.

- A strategy for compliance with the Relocation Assistance Act, 1972 PA 227, MCL 213.321 through 213.332
- Other material that the BRA or governing body considers pertinent to the Brownfield Plan

**Tips:**

- Tax parcel identification number(s) should be included in the Brownfield Plan in addition to the legal description.
- The maximum duration of a Brownfield Plan is 35 years (up to five years to begin capture and up to 30 years for capture); however, capture of TIR from an eligible property is limited to the lesser of the length of time required to reimburse eligible costs and deposit to the LBRF or 30 years.
- A Brownfield Plan should identify if interest costs associated with the financing of the eligible activities will be reimbursed, if school TIR will be used for interest reimbursement, the interest rate, and interest amount. An interest calculator is provided on the MEDC website.
- The BRA may adopt multiple Brownfield Plans, each with a single property, or groups of properties, or a single Brownfield Plan with multiple properties.
- The BRA should approve the Brownfield Plan and forward it to the local governing body for a public hearing and required approval.
- Brownfield Plan Template and Instructions are provided on the MEDC website.

## **Step 2 – Public Hearing Notification**

The local governing body must hold a public hearing before approving or amending a Brownfield Plan. Public hearing notices must state the time, date and place of the public hearing, and state that the property description, maps, description of the Brownfield Plan, and other appropriate information is available for public review at a specified location. The notices must also state that all aspects of the Brownfield Plan are open for discussion at the public hearing.

**Tips:**

- The local governing body may delegate the public hearing process to the BRA or to a subcommittee of the governing body.
- A sample Notice of Public Hearing is provided on the MEDC website.

## **Step 3 – Taxing Jurisdiction Notification**

The local governing body must notify all affected taxing jurisdictions from which TIR will be captured under the Brownfield Plan. The draft Brownfield Plan should be submitted to all affected taxing jurisdictions with the notice to inform them of the Brownfield Plan's fiscal and economic implications.

Taxing jurisdictions must be notified with a notice to all affected taxing jurisdictions at least ten days prior to the public hearing on the Brownfield Plan. If the Brownfield Plan includes the capture and use of school taxes, the governing body must also notify EGLE and/or the MSF depending on the types of eligible activities to be reimbursed with school taxes. This notice must also be given at least 10 days prior to the public hearing on the Brownfield Plan. The same notification that is provided to the taxing jurisdictions can be used for notifying EGLE and MSF. For address/contact information refer to the [Act 381 Work Plan Guidance](#).

**Tip:**

- A sample Notice to All Affected Taxing Jurisdictions is provided on the MEDC website in the Act

#### **Step 4 – Public Hearing**

The local governing body must hold the public hearing on the date stated in the notice in accordance with the Open Meetings Act, 1976 PA 267, MCL 15.261 through 15.275 and any local requirements, and note all comments including all data presented at the hearing.

#### **Step 5 – Adoption of a Brownfield Plan**

The governing body must determine whether the project described in the Brownfield Plan constitutes a public purpose. If the Brownfield Plan is determined to constitute a public purpose, the governing body may adopt the Brownfield Plan by resolution. The resolution must include a series of factual findings and legal conclusions related to financing and other issues.

#### **Tips:**

- If the BRA wants to use school taxes for certain environmental eligible activities, an Act 381 Work Plan “Work Plan” or “Combined Brownfield Plan” must be submitted and approved by EGLE.
- If the BRA wants to use school taxes for non-environmental eligible activities, a Work Plan or Combined Brownfield Plan must be submitted and approved by the MSF. In addition, a development agreement or reimbursement agreement between the BRA or municipality and owner or developer of the eligible property is required.
- It’s helpful to provide EGLE and/or MEDC with a draft Work Plan or Combined Brownfield Plan prior to approval.
- Procedure, adequacy of notice and findings with respect to purpose and captured tax value shall be presumptively valid unless contested in a court of law within 60 days after the governing body adopts the Brownfield Plan.
- A sample Resolution Adopting a Brownfield Plan is provided by the MSF and EGLE.

#### **Concurrence**

The village, city or township where the property is located must concur when a property from its jurisdiction will be included in a county BRA’s Brownfield Plan. The executive body of the local jurisdiction must approve tax capture for the project via resolution.

#### **Administrative Fees**

A BRA may use local TIR for BRA administrative and operating expenses. In each fiscal year, the amount of TIR that can be used for administrative and operating expenses purposes is:

<b>NUMBER OF ACTIVE PROJECTS</b>	<b>AMOUNT</b>
<b>5 OR FEWER</b>	\$100,000
<b>6 TO 10</b>	\$125,000
<b>11 TO 15</b>	\$175,000
<b>16 TO 20</b>	\$200,000
<b>26 TO 30</b>	\$300,000
<b>31 OR MORE</b>	\$500,000

Fees may be increased by increments of two percent (2%) for each written agreement entered into by a County BRA to serve as another municipality’s BRA, or 2% if a BRA enters into an agreement with one or more other authorities to administer one or more administrative operations of those other authorities, up to ten percent (10%) total.

### **State Brownfield Redevelopment Fund**

The State Brownfield Redevelopment Fund (SBRF) is a revolving fund within the Department of Treasury. If school taxes will be captured, refer to the [Act 381 Work Plan Guidance](#) regarding SBRF contribution requirements. SBRF contribution is not required for Brownfield Plans that will reimburse eligible expenses solely with local TIR.

### **Combined Brownfield Plan**

According to Act 381 Section 15, a BRA may submit a Combined Brownfield Plan to EGLE and/or MSF for review. A Combined Brownfield Plan contains all of the information required in a Brownfield Plan and an Act 381 Work Plan, potentially reducing review and approval time.

The BRA must notify EGLE and/or MSF At least 30 days prior to the public hearing that the BRA is seeking approval of the Combined Brownfield Plan.

Combined Brownfield Plan Instructions are provided on the MEDC website.

### **Brownfield Plan Amendment**

A BRA may wish to amend a Brownfield Plan to include additional costs. If school TIR will be used for the additional costs, the BRA must seek approval from the MSF and EGLE for those costs through an Act 381 Work Plan or amendment of the original Act 381 Work Plan, or the BRA can approve the additional costs using only local TIR.

### **Abolishing or Terminating a Brownfield Plan**

When a project is finished and all costs under that Brownfield Plan have been reimbursed, the governing body may abolish the Brownfield Plan. If eligible activities in the Brownfield Plan fail to occur within two years following the date of the resolution adopting the Brownfield Plan, the governing body may terminate the Brownfield Plan via resolution provided that the governing body first gives the developer 30 days' prior written notice and provides the developer an opportunity to be heard at a public hearing.

If a new project later develops on eligible property that was in a Brownfield Plan previously terminated, the jurisdiction may create a new Brownfield Plan for that property, which would restart the five year clock for TIR capture to begin, and TIR may be captured for up to 30 years on the property under the new Brownfield Plan. If seeking capture of school taxes, the SBRF contribution is applicable to the properties under the new Brownfield Plan.

Abolishing or Terminating a Brownfield Plan that includes a Single Business Tax (SBT) or Michigan Business Tax (MBT) brownfield credit may impact the availability of the credit. Please contact Brownfield staff for further information.

## **Part 6 – Brownfield Annual Reporting**

BRAs are required by law to annually report Act 381 Brownfield TIR to the MEDC. Reports are due no later than August 31 for the previous year via an online portal. Please note that jurisdictions are required to report both local and school tax capture.

The BRA is still responsible for completing all appropriate information in the portal in order to be compliant, even when it has no TIR to report.

Please be aware that failure to report by the deadline will result in the MSF and EGLE withholding financial support from the jurisdiction's future projects.

Annual reporting information can be found on the MEDC website.



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Discussion Regarding Potential Air Easement Appraisal

**RECOMMENDATION:** That the City Council discuss – no official action needed

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**Background** At the May 4, 2020 City Council meeting, Councilmembers voted 5-0 to “*direct the City Attorney to develop an agreement for City Council’s consideration requiring the developer to pay for the costs of an appraisal in the determination of fair market value for the proposed easement area.*” See enclosed letter agreement drafted by City Attorney Jim Murray.

The agreement requires the developer to pay \$7,000 to have an appraisal completed by Integra Realty Resources. See enclosed proposal from Integra.

As the hotel development project will be discussed by the Planning Commission on May 21, 2020, staff recommends no official action be taken at this meeting. Staff believes that valuable input can be derived from the Planning Commission’s review as well as give the community another opportunity to make public comments on the development and proposed air easement. Staff will schedule this agenda item for June 1, 2020 and bring forward Planning Commission comments for City Council to consider.

**Action** No official action is needed but comments on the letter agreement are appreciated.

rs  
Enclosures

May 12, 2020

Mr. Robert Straebel  
City Manager  
City of Petoskey  
101 East Lake Street  
Petoskey, MI 49770

RE: Bay Street Development

Dear Mr. Straebel:

As you and the members of the City Council are aware, Main Dock 7971, LLC, a Michigan limited liability company (the "Developer") is seeking to develop a 50-room boutique hotel at 322 Bay Street and 200 Howard Street (the "Project"). Consistent with Developer's correspondence to you dated April 24, 2020 and other presentations made to the City of Petoskey City Council, Developer is seeking a twenty-foot (20') air and view easement on the West side of the proposed Project (the "Air Easement"). Developer represents that the Air Easement is needed to construct a commercial hotel building allowing windows and decks on the West side of the parcel, instead of a firewall that would be required per building codes if such an Air Easement was not granted. The Air Easement would also benefit the Project by protecting views of Little Traverse Bay. Developer is specifically seeking an air easement that would start at a height of twenty-one feet four inches (21' 4") at grade on Bay Street and encompass an area 20' x 24' x 138'. The air easement would allow the City at some point in the future to construct a 2-story parking platform as long as the parking structure does not interfere with the proposed Air Easement.

Consistent with the Motion passed by the Petoskey City Council on May 4, this letter is intended to legally bind the undersigned and Developer to the terms stated herein. Specifically, Developer agrees to pay all costs of the City's appraisal of the true cash value of the Air Easement. We understand the City intends to engage Integra Realty Resources ("Integra") according to the Proposal dated May 11, 2020 attached hereto (the "Integra Proposal"). While the appraisal is being done on behalf of the City and will remain the property of the City, Developer agrees to assume the cost of Seven Thousand (\$7,000) Dollars and will pay Integra immediately upon the City's acceptance of the terms of this letter agreement. The Developer will also be responsible for any other fees of the City under the Integra Proposal.

Should the City Council, in their discretion, agree to grant an Air Easement, Developer agrees to be bound by the value established by Integra. If, however, the value established in the Integra appraisal is 20% above the value of an appraisal done by an MIA appraiser on Developer's behalf, we retain the right to have both Integra and our appraiser mutually appoint an independent third MAI appraiser to perform an appraisal. Upon completion of the third appraisal, Developer will be bound to the value of the Air Easement by taking the average of all three appraisals. The Developer also agrees to pay all costs of the third appraisal.

Nothing in this letter agreement is intended to bind the City Council to grant an Air Easement. Rather, the purpose of this letter agreement is simply to verify that Developer will pay the City's costs as described above.

Sincerely,

Ira Green  
Melanie Libby

Accepted:

The City Council accepts Developers proposal.

Nothing in this acceptance, however, shall be construed as an obligation of the City to grant an Air Easement, any other easement or to approve Developers Project.

By: \_\_\_\_\_  
Mayor John Murphy



May 11, 2020

City Manager  
Robert Straebel  
101 E. Lake St.  
Petoskey MI 49770  
231-347-2500  
rstraebel@petoskey.us

SUBJECT: Proposal/Authorization for Valuation and Consulting Services  
Air Rights on a 20 Foot wide parcel of land

Dear Mr. Straebel:

Integra Realty Resources – Detroit appreciates the opportunity to provide this proposal for valuation and counseling services for the referenced property. It is our mutual understanding that the purpose of this appraisal assignment is to provide an opinion of the as is market value of the air rights on a 20 foot wide parcel of land adjacent to the proposed hotel development located at 322 Bay Street, Petoskey MI. We have valued air rights for multiple projects.

Air Rights are defined as “the right to undisturbed use and control of designated air space above a specific land area within stated elevations.” Air rights may be acquired to construct a building above the land or building of another or to protect the light and air of an existing or proposed structure on an adjoining lot. Air rights refer to the ownership or right of use of property above ground level. The air rights is a fractional interest in real property which may be sold, leased, hypothecated, exchanged, or devised in the same manner as any other interest in real property. Air space is the cubic volume of an area lying above the ground level of a parcel of land. This air space may be accurately measured and subdivided horizontally and/or vertically. Ownership of air rights does not imply unrestricted use of the air space. The use of these areas aloft may be restricted to a specific elevation because of zoning height limitations, aircraft rights of way, and physical barriers as pre-existing overhead structures.



To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Form Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions in a form format.

The appraisal will be in conformance with and subject to, the Standards of Professional Practice and Code of Ethics of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) developed by the Appraisal Standards Board of the Appraisal Foundation and applicable state regulations.

The appraisal will consider all applicable approaches to value as determined during the course of our research, analysis and reporting.

Our fee for this assignment will be \$7,000 and the report will be completed and delivered within 30 days of the inspection date. The retainer for this assignment is \$7,000, which is to be mailed back with the signed engagement letter.

Additional fees will be charged on an hourly basis for any work which exceeds the scope of this proposal, including performing additional valuation scenarios, testimony or appearing at meetings.

The terms of **ATTACHMENT I** which apply to this engagement are hereby incorporated by reference.

In order to complete this assignment in the designated time, we will require as much of the available information as possible, as identified in **ATTACHMENT II**, within seven business days after the execution of this engagement letter. Further, the inspection of the property has to occur within a reasonable period of time. Any delays in the receipt of this information or in the access to the Property will automatically extend the final delivery date of the reports as proposed. Furthermore, the appraisal reports and conclusions therein will be predicated upon the accuracy and completeness of the information provided by the Client and set forth in Attachment II. In the absence of some of this information, the appraisers will attempt to obtain this information from other sources and/or may require the use of Extraordinary Limiting Conditions and Assumptions within the appraisal reports.

The appraisal reports will be limited by our standard Assumptions and Limiting Conditions and any Extraordinary Assumptions and Limiting Conditions, which become apparent or necessary during the course of the assignment. A copy of the standard Assumptions and Limiting Conditions is set forth in **ATTACHMENT III**.

The purpose of the appraisal reports is to estimate the market value of the Subject Property on behalf of the Client as the intended user of the appraisal reports. The intended use of the appraisal reports is to assist the Client in evaluating the Subject Property for possible tax appeal purposes and to be used in all respects, including but not limited to as for exhibit at depositions, mediations, hearings, and/or at trial. Without first obtaining our prior written consent, the use of the appraisal reports by anyone other than the Client is prohibited. Accordingly, the appraisal report will be addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal reports (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties, except in connection with this possible litigation matter.

In the event the Client provides a copy of this appraisal to, or permits reliance thereon by, any person or entity not authorized by Integra – Detroit, the Client agrees to indemnify and hold harmless Integra – Detroit, its affiliates and its shareholders, directors, officers and employees, from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the review appraisal by any such unauthorized person or entity.

If the appraisal is referred to or included in any offering material or prospectus, the appraisal shall be deemed referred to or included for informational purposes only and Integra – Detroit, its employees and the appraisers have no liability to such recipients. Integra – Detroit disclaims any and all liability to any party other than the Client which retained Integra – Detroit to prepare the appraisal.

If this proposal is acceptable, please authorize us to proceed by executing this letter agreement where noted below, initial all attachments where indicated in the lower right-hand corner, and returning one copy to the undersigned. We recently completed two appraisals for the City of Petoskey for Robert Englebrecht, if you need a reference for our experience and due diligence. Thank you for considering us for this important assignment and we look forward to working with you. Please call if you wish to discuss this proposal or the assignment any further.

Sincerely,

**INTEGRA REALTY RESOURCES – DETROIT**



Bradley Conkey  
Director  
Integra Realty Resources – Detroit  
400 West Maple Rd., Suite 100  
Birmingham, MI 48009  
Direct: 248-979-6666  
Mobile 248-245-5393  
Fax: 248-540-8239  
Email: [bgconkey@irr.com](mailto:bgconkey@irr.com)  
Website: [www.irr.com](http://www.irr.com)

**AGREED & ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2020.**

**BY:     ROBERT STRAEBEL**

\_\_\_\_\_  
**AUTHORIZED SIGNATURE**

\_\_\_\_\_  
**NAME (PRINT)**

**ATTACHMENT I**

**ADDITIONAL TERMS**

This assignment is subject to the following terms:

1. Completion Date Estimate: Integra – Detroit agrees to use reasonable commercial efforts to complete this reports as per the attached letter agreement. Said completion date is an estimate and does not take into consideration pre-trial or court time as well as delays beyond the control of Integra – Detroit such as illness, lack of specific necessary data and/or Acts of God.
2. Database/Marketing: Both parties acknowledge that real estate appraisal requires current and historical market data to competently analyze the Subject Property. Accordingly, the Client agrees that: (i) the data collected by Integra – Detroit in this assignment will remain the property of Integra – Detroit.
3. Litigation: In the event Integra – Detroit is called upon to provide testimony or receives a subpoena concerning any suit or proceeding or otherwise become involved in any litigation relating to this engagement or assignment, in which Integra – Detroit is not a party, Integra – Detroit will make every reasonable effort to assist the Client and give such testimony. The Client agrees to compensate Integra – Detroit at its then current rates, on an hourly basis, plus reimbursement for all expenses incurred as a result of said litigation. In addition to the foregoing, the following terms are applicable:

- (a) Review and trial preparation (if applicable) in-office, will be billed at standard hourly rates; outside office rates may apply to conferences, depositions and testimony. Our current in-office rates are as follows:

Managing Directors	\$350 per hour
Director	\$250 per hour
Analyst	\$100–\$175 per hour

- (b) All reports for which testimony is required must be disclosed prior to report authorization.
- (c) All fees for reports, conferences and depositions must be paid prior to hearings and trial.
- (d) Scheduling of casework and appearances will be made with due consideration for the time of all persons involved. Every effort to comply with reasonable requests for appearances will be made. Once an appointment, deposition or appearance is scheduled, that time is set aside. Therefore, if the appearance is canceled, or the reserved time is abandoned for whatever reason, the following cancellation charges will apply:

1. More than one week	No Charge
2. 48 Hours prior	\$250.00
3. Less than 48 Hours prior	\$600.00
4. A Stand-by Charge of	\$250.00 per day

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Initials

- (e) Due to the difficulty associated with accurately forecasting the number of hours which may be required with the research, hearing and/or trial preparation, deposition time, client/expert conferences, etc., we will maintain contemporaneous time and expense records and will provide you invoices on a 30 day billing cycle. The Client agrees to pay Integra – Detroit at the time the invoice is submitted and acknowledges payment to Integra – Detroit is not contingent upon any set outcome, result or award to the Client.
4. Limitations of Liability: It is expressly agreed that in any action which may be brought against Integra – Detroit, Integra Realty Resources, Inc. or their respective officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties”), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for an incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal reports unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

In the event the Client provides our work or permits reliance thereon by, any person or entity not authorized by Integra – Detroit in writing to use or rely thereon, Client hereby agrees to indemnify and hold Integra – Detroit, its affiliates and the respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys’ fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon our work by any such unauthorized person or entity.

You acknowledge that any opinions and conclusions expressed by professionals employed by Integra – Detroit during this assignment are representations made as them as employees and not as individuals. Our responsibility is limited to you as Client, and use of our product by third parties shall be solely at the risk of you and/or third parties.

5. Late Fees; Etc.: Unless arrangements are made otherwise, a late charge of 15% per annum, commencing thirty (45) days after the receipt of invoice will be charged on any balance not paid; however, in no event shall this delinquency rate of interest exceed the maximum rate permitted by law. We shall also be entitled to recover our costs (including attorneys’ fees), associated with collecting any amounts owed or otherwise incurred in connection with this engagement. Upon default, we shall be permitted to file a lien against the Subject Property for any amounts owed pursuant to this engagement.
6. Cancellation: In the event the assignment is canceled prior to completion, an invoice will be prepared reflecting the percentage of work completed as of that date plus \$350 for file setup and soft costs. Any credits to the Client will be promptly refunded or any remaining balances to Integra – Detroit will be indicated on the invoice.

7. Responding to Review: We agree to respond to your review of our reports within five (5) business days of your communication to us. Correspondingly, you will have twenty-one (21) days from receipt of our reports to communicate your review. We reserve the right to bill you for responding to your review beyond this time period.
8. Special Experts: Any out-of-pocket expenses incurred during this assignment will be billed at cost and included on the invoice. Should the Client request the assistance of Integra – Detroit in hiring a special expert to contribute to this assignment (including but not limited to, a surveyor, environmental consultant, land planner, architect, engineer, business, personal property, machinery and equipment appraiser, among others), the Client agrees to perform their own due diligence to qualify said special expert. The Client agrees and acknowledges it is solely responsible in paying for the services of said special expert. Furthermore, the Client acknowledges that Integra – Detroit is not responsible for the actions and findings of the special expert and agrees to hold Integra – Detroit harmless from any and all damages that may arise out of the Client's reliance on the special expert.
9. Duration of Quote: This proposal and fees quoted are valid for a period of fourteen (14) calendar days from the date hereof. If not retained by the Client, the fact that we made the foregoing proposal of professional services will not preclude us from performing professional services for another client on the Property.
10. Marketpoint/Template: The Client acknowledges that IRR-Marketpoint, our appraisal templates and DataPoint software is proprietary and confidential. Accordingly, the Client agrees not to use such software or make such software available for the use of any third party.
11. Arbitration: The parties agree that any dispute relating to this letter agreement or the appraisal reports shall be submitted to, and resolved exclusively pursuant to arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. Such arbitration shall take place in Oakland County and shall be subject to the substantive laws of the state of Michigan. Decisions pursuant to such arbitration shall be final, conclusive and binding on the parties. Upon the conclusion of the arbitration, the parties may apply to any appropriate court to enforce the decision of such arbitration.

**ATTACHMENT II**

**REQUEST FOR PROPERTY INFORMATION**

Assessors Field Sheets/Legal Description  
Survey, if available

### **ATTACHMENT III**

#### **ASSUMPTIONS & LIMITING CONDITIONS**

The appraisals are based on the following assumptions, except as otherwise noted in the reports.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The Property are under responsible ownership and competent management and are available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the Property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the Property more or less valuable. Furthermore, there is no asbestos in the Property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The Property are in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

These appraisals are subject to the following limiting conditions, except as otherwise noted in the reports.

1. An appraisal is inherently subjective and represents our opinion as to the value of the Property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the Property without compensation relative to such additional employment.
6. We have made no survey of the Property and assume no responsibility in connection with such matters. Any sketch or survey of the Property included in this reports is for illustrative



purposes only and should not be considered to be scaled accurately for size. The appraisal covers the Property as described in this reports, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the Property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the reports between land and improvements applies only under the reported highest and best use of the Property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal reports shall be considered only in its entirety. No part of the appraisal reports shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this reports (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the reports.
11. Information, estimates and opinions contained in the reports, obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal reports are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the Property are subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised Property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this reports but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the reports necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the *ADA* accessibility guidelines. In as much as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to *ADA*. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal reports are prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the reports without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the Subject Property or in the improvements, and our valuation is predicated upon the assumption that the Subject Property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the Subject Property and the person signing the reports shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal reports cannot be considered as an environmental assessment of the Subject Property.
21. The person signing the reports may have reviewed available flood maps and may have noted in the appraisal reports whether the Subject Property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of

the Property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra is not a building or environmental inspector. Integra does not guarantee that the Subject Property is free of defects or environmental problems. Mold may be present in the Subject Property and a professional inspection is recommended.
23. The appraisal reports and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against Integra – Detroit, Integra Realty Resources, Inc., or their respective officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties”), arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for an incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal reports unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra – Detroit, an independently owned and operated company shall prepare the appraisal for the specific purpose so stated elsewhere in this proposal. The intended use of the appraisal is stated in the General Information section of the reports. The use of the appraisal reports by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal reports will be addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal reports (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal reports (even if their reliance was foreseeable).
26. The conclusions of these reports are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public record, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume

competent and effective management and marketing for the duration of the projected holding period of these Property.

27. All prospective value estimates presented in this reports are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

As will be determined during the course of the assignment, additional extraordinary or hypothetical conditions may be required in order to complete the assignment. The appraisal shall also be subject to those assumptions.



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Discussion on a Potential PILOT Program for Lofts at Lumber Square

**RECOMMENDATION:** That City Council have a general discussion on merits of the project and whether to further consider possible adoption of a PILOT ordinance

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**Background** On April 28, Ben Ide of Haan Development sent a proposal to City staff for a potential workforce/affordable housing project on the Gruler site on Emmet Street. Lofts at Lumber Square, is a proposed three-story, 60-unit apartment complex on Emmet and Fulton Streets. Mr. Ide would like the City to consider approving a Payment in Lieu of Taxes (PILOT) ordinance to qualify for Low-Income Housing Tax Credits (LIHTC) and USDA Rural Development Section 515 funding for this potential project. Mr. Ide will be approaching City Council for an initial presentation to gauge whether elected officials want to further discuss the project and a potential PILOT economic incentive. If Council is generally supportive of continuing discussion on the project, the City Planner and I recommend the Planning Commission review the conceptual site plan before any formal action on the PILOT is taken by City Council.

A PILOT generally serves three purposes: first, to encourage the development or rehabilitation of affordable housing; second, to assist in the financial feasibility of a project with below-market rents, and third, to demonstrate community participation in applications to other funding sources.

The PILOT is needed by the developer as part of an overall financing package using Federal Low-Income Housing Tax Credits administered through the Michigan State Housing Development Authority (MSHDA) and to qualify for USDA Rural Development Section 515. To implement such a tax-credit program, the City Council would be required to adopt an ordinance amending the City Code taxation provisions.

USDA uses a maximum income limit of 80% of Area Median Income (AMI). The tax credit program limit is 60% of AMI or an average of 60% of the entire building. An applicant that applies for a rental unit would pay no more than 30% of their adjusted income, including a utility allowance for electricity, and if they can't afford the basic rent, the project based rental assistance pays the balance. All units at The Lofts will be reserved for eligible low and moderate income households earning between 30% and 80% of the area median income. For a two-person household this equates to \$16,950 at the low end and \$45,200 at the high end. Rents will range from a low of \$316 for a one-bedroom unit to a high of \$925 for a three-bedroom unit. The AMI in Emmet County is \$56,500 for a two-person household with 60% of AMI being \$33,900.

The City has approved the following PILOTS to provide affordable housing for low-income or elderly persons:

- Riverview Terrace: new construction built in 1977, senior, Section 8, 4% PILOT in 1977 amended 2006;
- Traverse Woods: rehab, family, LIHTC/Section 8, 15% PILOT in 2010;
- Harbor Village Family: rehab, family, LIHTC/Rural Development Rental Assistance, currently ad valorem, combined with other Harbor Village projects for “blended” 12.79% PILOT in 2019 to go into effect upon development;
- Harbor Village Senior I: rehab, senior, LIHTC/Rural Development Rental Assistance, 10% PILOT in 1991/1992 when built, combined with other Harbor Village projects for “blended” 12.79% PILOT in 2019 to go into effect upon development; and
- Harbor Village Senior II: rehab, senior, LIHTC/Rural Development Rental Assistance, 10% PILOT in 1991/1992 when built, combined with other Harbor Village projects for “blended” 12.79% PILOT in 2019 to go into effect upon development

As you can see, the PILOT percentages run anywhere from 4% to 15%. Staff believes an “apples to apples” comparison on a new affordable housing project most closely aligns with the Harbor Village Senior Citizen Apartment I & II project which was granted a 10% annual PILOT service charge. The developer has stated that a 10% PILOT service charge would work from a proforma standpoint. Please note: City Council has the discretion to set the service charge at any amount as long as the percentage does not exceed what would have been realized by ad valorem taxes.

A PILOT is necessary to demonstrate to other competitive funding sources such as MSHDA and EGLE that there is community participation. Both consider community participation when selecting projects and a lower PILOT rate demonstrates this and increases the likelihood of this project being funded. Setting the percentage of the service charge is therefore a balance. State and federal housing agencies want to see a significant financial commitment by the municipality through a PILOT while the City’s desire is to maintain adequate revenues for the City coffers.

### **Financial Implications- PILOT Service Charge vs. Ad Valorem Taxes**

#### **10% PILOT**

Typically, revenues the City would receive from a PILOT housing project are calculated as follows:

$$\text{Annual Net Rental Income} - \text{Annual Utility Costs} \times \text{Service Charge \%} = \text{Annual City Revenues}$$

As an example, using 2021 estimates submitted by the developer the financial projections for a 10% PILOT are as follows:

\$483,864	Annual Net Rental Income
<u>-\$ 66,000</u>	Annual Utility Costs

$$\$417,864 \times 10\% = \textbf{\$41,786 estimated annual PILOT revenues to all local taxing jurisdictions}$$

Please keep in mind that the above calculations are for illustrative purposes only and based upon information submitted by Mr. Ide.

## **Ad Valorem Taxes**

According to the City Assessor, the estimated taxable value from a project with development costs of \$14,696,848 would be \$7,348,424. This taxable value would generate roughly **\$399,019 annually in property taxes to all local taxing jurisdictions.**

Of course, the Gruler lots are mostly vacant and have not been fully developed. The current taxable value is **\$124,261 with all local taxing jurisdictions receiving \$6,748 in property taxes each year.**

See enclosed spreadsheet developed by City Treasurer Al Terry.

## **How does the Lofts at Lumber Square Compare to City's Economic Development Strategy and Current B-2B Mixed Use Corridor Zoning?**

The recently approved Economic Development Strategy identified the Gruler property as a Redevelopment Ready Community (RRC) priority site. Specific language in the Strategy states *"The Old Town Emmet Neighborhood has many attributes to be built upon creating great potential to transform the neighborhood to a vibrant, pedestrian-friendly and diverse neighborhood where small shops and a wide array of housing opportunities exists side by side."* See enclosed page 20 and 21 from the Strategy.

The intent of the B-2B Mixed Use Corridor *"is to provide a transition between the historic urban core of the Central Business District and the historic commercial district along the Emmet Street Corridor. The district allows a wide mix of uses to maintain and promote a neighborhood that can meet the daily needs of its residents in walking proximity."* See enclosed B-2B zoning regulations.

Staff has also included the following enclosures for more information:

- *"What is a PILOT"* from the Community Housing Network
- Emmet County Needs Homes for Our Future
- MSHDA Low Income Housing Tax Credits

**Action** General discussion regarding whether City Council wants to further discuss a potential PILOT ordinance. If there is interest in the project, the site plan could be sent to the Planning Commission for their review.

rs  
Enclosures

# CITY OF PETOSKEY

## Lofts at Lumber Square

### Property Taxes

Parcels - vacant parcels (6) :	Current Taxes - 2019		Estimated Taxes	
	Taxable Value	Taxes	Taxable Value	Taxes
24-52-19-06-402-016	\$61,161	\$3,322	\$7,348,424	\$399,019
24-52-19-06-402-034	5,900	320	0	0
24-52-19-06-402-038	10,000	543	0	0
24-52-19-06-402-052	7,900	429	0	0
24-52-19-06-402-074	38,800	2,107	0	0
24-52-19-06-402-072	500	27	0	0
Total property taxes	\$124,261	\$6,748	\$7,348,424	\$399,019

### Proposed PILOT Estimate

Lofts at Lumber Pointe - 60 units - family dwellings

Annual Rental Income	\$483,864
Less: utilities	<u>(66,000)</u>
Annual Shelter Rents (net)	417,864
PILOT Rate	<u>10.0%</u>
Payment in Lieu of Taxes	<u><u>\$41,786</u></u>

### Summary

Estimated Property Taxes	\$399,019
Proposed PILOT Estimate	<u>\$ 41,786</u>
Difference	<u><u>\$357,233</u></u>

Proposed PILOT estimates are based on Developer's proforma statements.

Estimated taxes are based on developers estimate of \$14,696,848 in costs and City-wide millage rate of 54.3150 mills



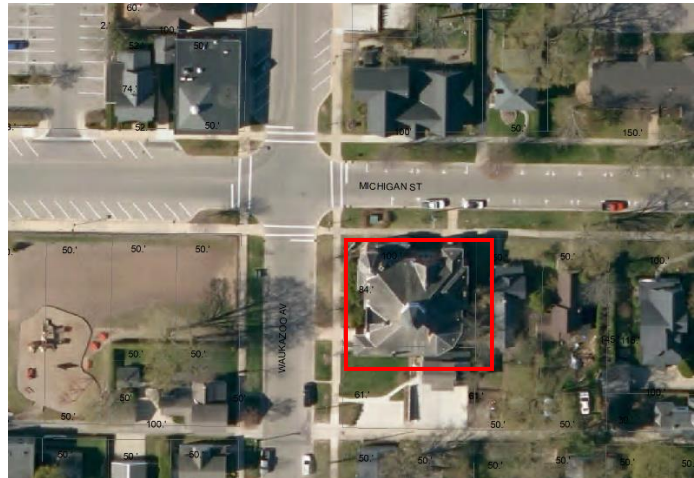
## **Adjacent to Downtown**

### **First Baptist Church**

Zoning:	OS Office Service
Allowed uses:	Office and residential
Adjacent uses:	Office and single family residential
Approximate Size:	Lot is 8,400 square feet; building is approximately 25,000 square feet
Utilities:	All utilities available
Location attributes:	Adjacent to the CBD, near schools

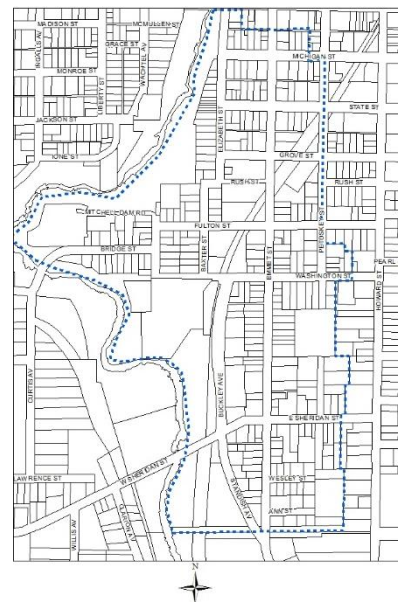
The historic church was built in 1910 and has had the same congregation for its life. The church congregation is building a new facility and looking to sell the historic structure. The site is constrained without the possibility of on-site parking.

Preservation of the historic structure, in addition to removal of previously identified contamination, would likely qualify the site as a brownfield. Given the proximity of the site to the downtown, the desired development outcome could be housing or office use, which are both permitted uses in the O-S District.



### **Old Town Emmet Neighborhood**

The area south of downtown, the Old Town Emmet Neighborhood is another area the City will encourage redevelopment. Historically, the Old Town Emmet Neighborhood held many industries that took advantage of the Bear River, including several mills and power generating plants. The area has ten properties currently listed on the National Register of Historic Places, with many others that meet the criteria to be placed on the register. Emmet Street bisects the neighborhood and was historically the main road into Petoskey from the south. As a major collector thoroughfare, the street continues to carry significant traffic with an average of 5,400 vehicles daily. The “four corners” of Emmet and Washington Streets is the commercial center of the neighborhood and has most recently been known for its cluster of resale shops. The corner also houses a convenience store.



Emmet Street was fully reconstructed in 2017, and the Downtown Greenway Corridor was extended to Emmet Street, as well as the sidewalk widened on the east side to 8 feet. Neighborhood pedestrian orientation has greatly improved, with connections to downtown, the Little Traverse Wheelway at the waterfront, Bear River Valley Recreation Area, and the North Country National Scenic/ Iron Belle Trail.

The infrastructure is now in place that will enhance future redevelopment of the neighborhood.

The current zoning of Mixed Use Corridor aligns accurately with the overall concept of balancing future residential and commercial development that contributes to the unique sense of place while reflecting the culture and history of the neighborhood. Redevelopment should include a quality pedestrian environment with buildings built on a similar scale to the existing neighborhood that preserve the unique residential aspect of the Emmet Corridor. This current zoning district promotes commercial and retail businesses on the first floor with housing opportunities for second and third floor buildings. The City strongly encourages development of a wide range of housing-both type and price- to cater to diverse populations of future residents.

Incentive programs that may be available to property owners include the **Neighborhood Enterprise Zone (NEZ)** program which provides a tax incentive for the development and rehabilitation of residential housing to spur development and rehabilitation of residential housing where it may not otherwise occur. This program can reduce the taxes on property for up to 15 years in designated areas to promote the revitalization of those neighborhoods by creating a NEZ. The City would need to initially approve the NEZ District before any tax incentives are executed. Of specific interest for redevelopment in the next 2-5 years is the property at 900 Emmet Street that formerly housed Hankey Lumber Company and is now owned by Gruler's Pet Supplies.

Emmet Street before reconstruction



Emmet Street after reconstruction



## **900 Emmet Street (Gruler Property)**

Zoning:	B-2B Mixed Use Corridor
Allowed uses:	Mixed residential, commercial
Adjacent uses:	Residential, commercial, industrial
Approximate Size:	~ 1.3 acres
Utilities:	All utilities available in adjacent streets
Location attributes:	Adjacent to high volume collector and rail; mixed-use site concept developed; potential for expansion of Downtown Greenway Corridor along tracks between Fulton and Washington Streets.

The one block area has been the focus of economic development efforts for many years and is poised for private redevelopment. In 2013, the City developed, “*The Old Town Emmet Neighborhood Plan*” that addressed several challenges and opportunities for economic growth and creates a specific road map for private/public investments.

Further south and adjacent to the river is a large tract of former industrial land-the Poquette property and former Continental Structural Plastics building that is currently home to several contractor businesses, but is seen as a longer-term redevelopment site given the success of the Bear River Valley Recreation Area across the river. It is a site that would likely have significant remediation costs and would therefore be a priority location for a Brownfield TIF.



The Old Town Emmet Neighborhood has many attributes to be built upon creating great potential to transform the neighborhood to a vibrant, pedestrian-friendly and diverse neighborhood where small shops and a wide array of housing opportunities exist side by side. The City will continue to prioritize this area to incentivize development through economic development initiatives and strong investment in public infrastructure. The Public Works Director, City Planner and City Manager are committed to seeing this area reach its full potential.

ARTICLE XXX. - B-2B MIXED USE CORRIDOR

Sec. 3000. - Intent.

The intent of the Mixed Use Corridor is to provide a transition between the historic urban core of the Central Business District and the historic commercial district along the Emmet Street corridor. The district allows a wide mix of uses to maintain and promote a neighborhood that can meet the daily needs of its residents in walking proximity.

(Ord. No. 744, § 1, 5-19-2014)

Sec. 3001. - Principal uses permitted.

In the B-2B Mixed Use Corridor District, no building or land shall be used except in compliance with the uses identified in Table 3001.1. Sexually-oriented businesses as defined in section 2800 of the zoning ordinance are specifically prohibited in the Mixed Use Corridor District.

TABLE 3001.1 Mixed Use Corridor (B-2B) Permitted and Special Condition Uses

<b>Commercial</b>	
Bakery, confectionary production	P
Banks	P
Brewpub, microbrewery, winery	P
Daycare center	P
Drive-through facilities	SCU
Food service with or without alcohol service	P
General retail	P
Health/fitness facility	P
Open-air business	P
Personal service	P
Professional or medical office	P
Public assembly	P

Studio-art, dance, music, photography, etc.	P
Warehouse and wholesale establishments	SCU
<b>Civic</b>	
Education—Primary, secondary, college	SCU
Museum	P
Library, public park	P
Post office or other government offices	P
<b>Residential</b>	
Multifamily housing	P
Single family residence	P
Two family residence	P
<b>Lodging</b>	
Bed and breakfast	P (L)
Hotel	P (L)

*P = Permitted*

*P (L) = Permitted subject to licensing provisions*

*SCU = Special condition use*

TABLE 3001.2

Building Placement		
Setback (Distance from Property Line)	Minimum	Maximum

Front and Corner Front	5'	Average of buildings on adjacent lots or 15 feet, whichever is less
Side	5'	NR
Rear	5'	NR
Building Height		3 stories, 33 Feet

(Ord. No. 744, § 1, 5-19-2014; Ord. No. 759, § 6, 2-19-2018)

Sec. 3002. - Principal uses permitted subject to special conditions.

The uses noted as SCU in Table 3001.1 shall be permitted, subject to the conditions hereinafter imposed, for each use and subject further to the review and approval of the planning commission pursuant to sections 1717 and 1718 of the zoning ordinance.

1. Open air business accessory to a permitted use. Open air operations shall be screened from adjacent residential uses and parkland as approved by the commission.
2. Warehouse and wholesale establishments, subject to the following conditions:
  - a. Goods shall also be available for retail purchase on the premise and located along the street frontage;
  - b. The warehouse or wholesale establishment shall be located within 300 feet of a collector street (as designated in the Petoskey Master Plan) or railroad right-of-way.
  - c. A screening wall of a height, material and location to be determined by the planning commission may be required where the use abuts an existing residential use or parkland.

(Ord. No. 744, § 1, 5-19-2014)

Sec. 3003. - Site development performance standards for all uses.

Any use or change of use, except to a single or two-family residence, located in the B-2B District shall be required to submit a site plan subject to section 1716. In particular, site plans shall be subject to the following standards:

1. General:
  - (a) The site plan and elevation drawings shall label proposed exterior materials on walls and roofs of principal and accessory buildings, fences, or walls on the site.
  - (b) Site development shall consider building placement to enhance use of the Park Reserve District, (Downtown Greenway Corridor), where applicable.
  - (c) All business, service, or processing activities permitted in this district shall be conducted completely within enclosed buildings except customer, employee and freight vehicle parking, loading zones, and those open air uses specifically identified in this district as permitted subject to particular performance standards.

2. Buildings:

(a) In review of building facades and features, the planning commission shall consider:

1. Exterior appearance shall take into account, and be compatible with, surrounding structures, considering proportions, materials, and fenestration, seeking to achieve some relationship with existing architectural character. A written description of how the surrounding structures have been considered shall be provided with the submittal.
2. To reduce the mass of a building, any street or park fronting wall longer than 25 feet shall be articulated through changes in material, windows, wall plane, or wall height.

(b) Accessory structures shall be designed to blend with the principal building(s) on the site as to exterior materials, size and shape.

(c) Detached garages and accessory structures shall be accessed from an alley where one exists and is useable. Where an alley does not exist, location of the detached accessory building shall be reviewed by the Planning Commission. An attached garage shall not protrude in front of the wall plane of the principal structure.

3. Site requirements:

(a) Parking shall only be permitted as accessory to an immediately adjacent principal use.

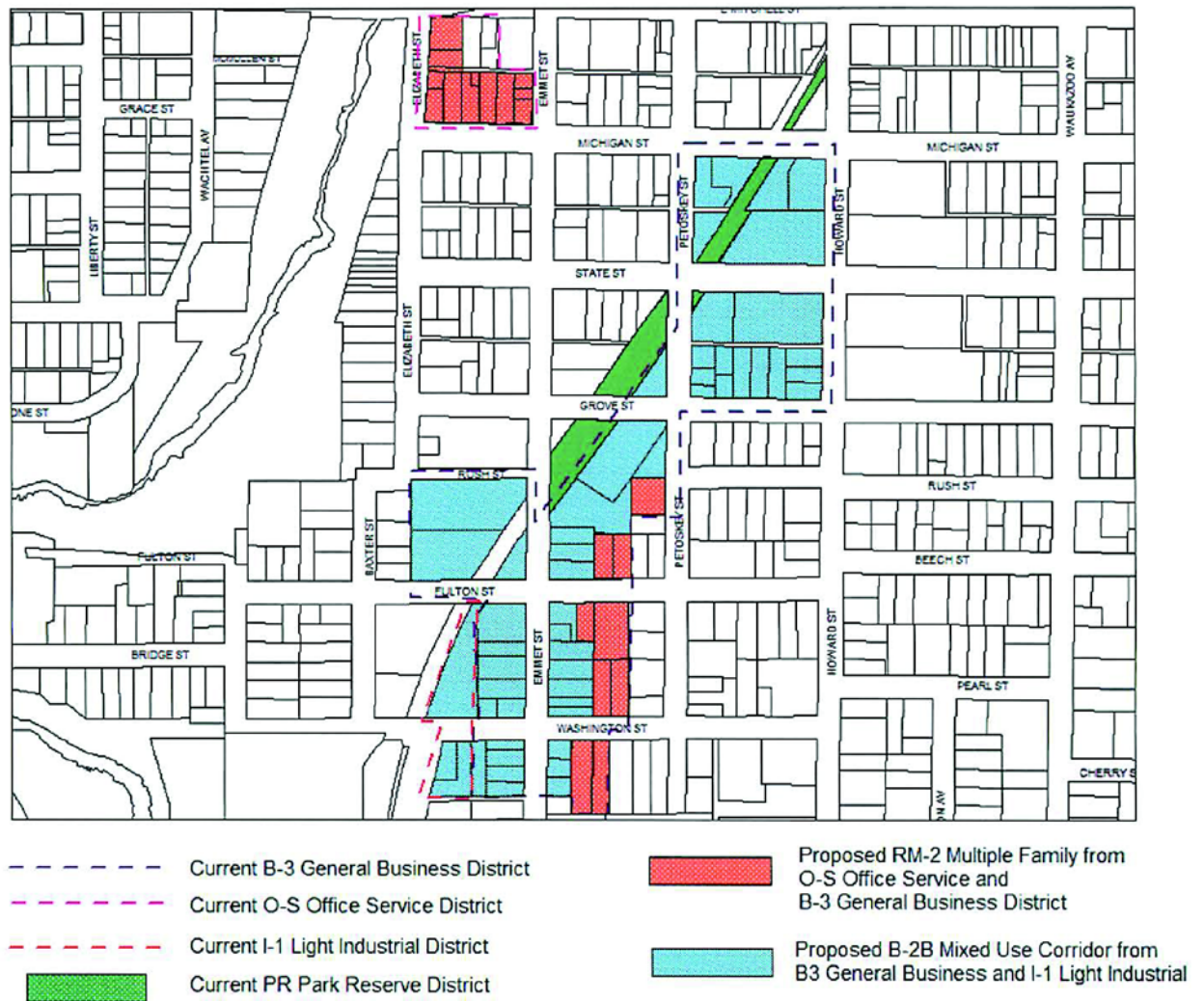
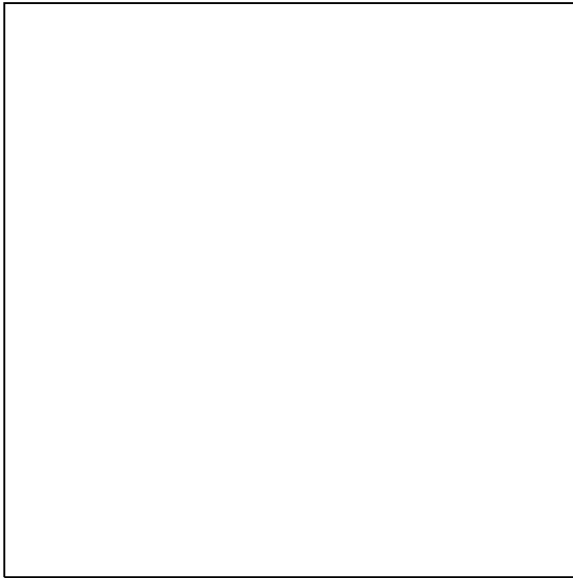
(b) Off-street parking requirements in the B2-B are no less than 75 percent and no more than 90 percent of the requirements of Table 1704(6).

(c) Parking lot development is only allowed in the rear or side yards and screened with a hedge or finished wall of at least three feet and no more than four feet in height from view of any public street, alley, parkland or adjacent residential property.

(d) Parking spaces shall be set back a minimum of three feet from the property line.

Proposed Amendments to the Office Service, General Business, and Light Industrial Districts  
and Creation of Mixed Use Corridor District





(Ord. No. 744, § 1, 5-19-2014)



Page Address: <https://communityhousingnetwork.org/what-is-a-pilot/>

## What is a PILOT?

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By C.J. Felton · January 25, 2016

Most people think of a PILOT as a person who flies a plane, or the device that lights your stove or furnace. Those of us who work in real estate development and community revitalization have a different definition for a PILOT, and it is one of the more important and useful resources in our development toolbox.

A PILOT, or Payment in Lieu of Taxes, is an investment incentive negotiated between a taxing authority (typically a municipality) and a developer. The PILOT replaces a traditional property tax assessment with a limited and/or deferred payment, in place, or in "lieu", of the summer and winter property taxes that most property owners in Michigan pay.

Housing development PILOTS are most often multi-year agreements with payments based on a percentage of net collected rents.

In essence, the municipality agrees to accept a lesser amount of property tax revenue in exchange for all of the other economic benefits that come from the new development. In the case of housing development, these benefits include direct municipal revenues from things such as building permits, water and sewer, property licensing and inspection fees, and additional property tax revenues from increased property values in the area surrounding the new development. There is also indirect benefit to the community from new residents who contribute to the local economy.

PILOTS can often make it possible for developers to invest in communities and neighborhoods where it would be difficult to develop if the property was subject to taxation on the assessed value of the property. PILOTS help form long-term partnerships between developers and the municipalities and are an important tool in creating places where people want to live, work, and play.



# EMMET COUNTY NEEDS HOMES FOR OUR FUTURE



The 2019 Northwest Michigan Target Market Analysis studied the demand for housing through 2025 in communities throughout Northwest Michigan. Based on the potential for demand from current residents moving within the community, as well as people who would move here from outside the community, the study found that the market could support **2,288** additional housing units through 2025 in Emmet County. Those new units could be newly-constructed homes or apartments, or they could be the repair and conversion of existing homes or buildings.

## HOW MANY MORE RENTAL UNITS DO WE NEED IN EMMET COUNTY?



**1,825**

RENTALS NEEDED

### Household Incomes

Up to \$26,000  
\$28,000 - \$40,000  
\$42,000 - \$60,000  
\$64,000+

### Affordable Rents

\$650 and less  
\$700 - \$1000  
\$1050 - \$1500  
\$1600 +

### # Units

1,242  
409  
145  
29

### % of Potential Demand

68%  
22%  
8%  
2%

## HOW MANY MORE HOMEOWNERSHIP UNITS DO WE NEED IN EMMET COUNTY?



**463** OWNER UNITS

### Household Incomes

Up to \$60,000  
\$70,000 - \$100,000  
\$110,000 - \$150,000  
\$160,000

### Affordable Home Values

\$150,000 and less  
\$175,000 - \$250,000  
\$275,000 - \$375,000  
\$400,000+

### # Units

199  
183  
59  
22

### % of Potential Demand

42%  
40%  
13%  
5%

## WHY IS THE DEMAND SO HIGH?

The study takes into account homes that are available now, and what people are looking to buy and rent. Because our population has changed so much over the years, we don't have the type of housing that many people are looking for, like small homes, apartments, and other rental options. These units are needed by empty nesters, retirees, and young people just starting out—all of whom have smaller households. However, many homes currently available were designed for large families, and are often too big and expensive for many of today's homebuyers and renters.

## WHO CAN AFFORD THE RENT?

The "housing wage" is the amount a worker would need to earn in order to afford a typical rental. In Emmet County, rents are far higher than what many renters can afford. The lack of affordable options contributes to a high demand for new units at different price points.

EMMET COUNTY  
HOUSING WAGE

**\$15.71**

MINIMUM WAGE

**\$9.45**

AFFORDABLE RENT FOR RENTER  
EARNING MEAN WAGE

**\$817**

AFFORDABLE RENT FOR FULL-  
TIME MINIMUM WAGE WORKER

**\$491**

## LOCAL SOLUTIONS


"Missing middle" housing types like duplexes, fourplexes, and small apartments can be more affordable and more in line with what the region's households are looking for. Yet, funding, and sometimes local politics, limit options to build these housing types. Legislation authorizing new revenue sources and tax incentives can support these private-sector solutions, and local changes to zoning or other policies can streamline the process for builders.




# EMMET COUNTY NEEDS HOMES FOR OUR FUTURE

The 2019 Northwest Michigan Target Market Analysis included data for selected communities. Communities were selected based on population, available demographic and economic data, and other factors. Some small communities were not studied separately because the study's accuracy was compromised by limited data and small sample sizes. However, demand may fluctuate between communities within a county, and smaller communities may look to county-wide housing demand to inform their potential for new housing units.

## HOW MANY MORE RENTAL UNITS DO WE NEED IN EMMET COUNTY?

 <b>712</b> <b>RENTALS</b> <b>NEEDED</b>	Household Incomes	Affordable Rents	# Units			
			Petoskey	Harbor Springs	Alanson	Pellston
	Up to \$26,000	\$650 and less	415	40	12	12
	\$28,000 - \$40,000	\$700 - \$1000	87	32	33	29
	\$42,000 - \$60,000	\$1050 - \$1500	36	5	2	2
	\$64,000+	\$1600 +	5	2	0	0
	<b>TOTAL RENTAL UNITS NEEDED</b>		<b>543</b>	<b>79</b>	<b>47</b>	<b>43</b>

## HOW MANY MORE HOMEOWNERSHIP UNITS DO WE NEED IN EMMET COUNTY?

 <b>125</b> <b>OWNER UNITS</b> <b>NEEDED</b>	Household Incomes	Affordable Home Values	# Units			
			Petoskey	Harbor Springs	Alanson	Pellston
	Up to \$60,000	\$150,000 and less	8	2	9	11
	\$70,000 - \$100,000	\$175,000 - \$250,000	52	15	2	2
	\$110,000 - \$150,000	\$275,000 - \$375,000	15	1	0	0
	\$160,000	\$400,000+	3	5	0	0
	<b>TOTAL OWNER UNITS NEEDED</b>		<b>78</b>	<b>23</b>	<b>11</b>	<b>13</b>

### SHORT-TERM RENTALS & HOUSING DEMAND

The target market analysis didn't study the demand for seasonal housing or short-term rentals—only homes that would be occupied year-round. However, it did take into account how seasonal units impact the availability of housing currently on the market, or homes that will be constructed in the future. Use of homes as short-term rentals reduces the supply of homes available for year-round occupancy, contributing to greater demand.

### DEMAND IN A CHANGING ECONOMY

The target market analysis was conducted before the pandemic crisis and its economic impacts, which are affecting everything in our lives, including the housing market. However, the 2019 analysis studied *movers*—people who are looking to move into or within the community, including those currently living in unaffordable housing or other homes that don't meet their needs. This demand is likely to remain, especially because Northwest Michigan's housing needs are rooted in a long-standing housing supply shortage, combined with an imbalance between wages and the cost of homes. The economic changes of 2020 are likely to exacerbate that imbalance, while the housing "pipeline" has, for now, stopped—creating a growing backlog of unmet housing demand.

The 2019 Target Market Analysis was conducted by LandUseUSA, on behalf of Housing North and Networks Northwest. Data Sources: American Community Survey; ExperianDecision Analytics.



More information and resources are available on [homesforourfuture.org](https://homesforourfuture.org) and [housingnorth.org](https://housingnorth.org)

# Low Income Housing Tax Credit (LIHTC)

## A TAX INCENTIVE FOR HOUSING INVESTORS

The Low Income Housing Tax Credit Program is an investment vehicle created by the federal Tax Reform Act of 1986, which is intended to increase and preserve affordable rental housing by replacing earlier tax incentives with a credit directly applicable against taxable income. Administered in Michigan by the Michigan State Housing Development Authority (MSHDA), this program permits investors in affordable rental housing who are awarded the credit- corporations, banking institutions, and individuals - to claim a credit against their tax liability annually for a period of 10 years.

## A COMMUNITY REINVESTMENT OPPORTUNITY

Corporate investors in this program are able to receive the tax credit and may also get additional tax benefits in the form of losses and depreciation. Furthermore, financial institutions may receive credit under the Community Reinvestment Act for their participation in tax credit developments, while corporate entities will be assisting in the creation of affordable housing in Michigan communities.

## HOW THE TAX CREDIT PROGRAM WORKS

The maximum tax credit a project may receive is based on a percentage of the portion of rental housing (whether the housing is newly constructed or rehabilitated) that the owner agrees to maintain as both rent and income restricted for a period of at least 18 years. At a minimum, either 20 percent of the units must be for residents whose incomes do not exceed 50 percent of area median income or 40 percent of the units must be for residents whose incomes do not exceed 60 percent of the area median income (as determined and adjusted annually by HUD). The rents on the units must also be restricted. An annual credit equal to roughly 9 percent of the qualified basis of construction or rehabilitation costs is available to developments not utilizing federal or tax-exempt financing. An annual credit roughly equal to 4 percent of the qualified basis is applicable where federal or tax-exempt financing is utilized and, in certain cases, for acquisition cost associated with rehabilitation.

## THE TAX CREDIT ALLOCATION PROCESS

Each state has an annual tax credit authority equal to \$2.00 per state resident. Michigan's annual authority is approximately \$20 million. The process used by MSHDA to evaluate applications and allocate credit is described in Michigan's Qualified Allocation Plan. Briefly, an application including detailed financial information and various supporting documentation, must be submitted to MSHDA for review and evaluation. The process involves three stages - reservation, commitment, and allocation of credit. The final determination of how much credit will actually be awarded is made at the allocation stage.

## TO OBTAIN MORE INFORMATION

To obtain more information on Michigan's Low Income Housing Tax Credit Program, or to discuss how the credit can be applied to a specific project, call the Low Income Housing Tax Credit Program at

517-335-9932

The following example illustrates the value of the tax credit to a developer who constructs a 100-unit building at a total cost of \$60,000 per unit with taxable financing and reserves all of the apartments for low income tenants:

### CONSTRUCTION EXPENSES

Development Costs	\$6,000,000
Less Land	<u>-\$200,000</u>
Eligible Basis	\$5,800,000
Percentage of Low Income Units	<u>x 100%</u>
Qualified Basis	\$5,800,000
Applicable Credit Percentage	<u>x 9%</u>

Annual Credit	\$522,000
Period of Credit	<u>x 10 Years</u>
Total Credit over 10 years	\$5,220,000

The following example illustrates the value of the tax credit to a housing sponsor who, using taxable financing, acquires a 15-unit building for \$120,000, spends \$200,000 on substantial rehabilitation, and subsequently rents six of the units to low income residents:

REHABILITATION/ACQUISITION EXPENSES

ACQUISITION CREDIT

Building and Land	\$120,000
Less Land	<u>-\$20,000</u>
Eligible Basis	\$100,000
Percentage of Low Income Units	<u>x 40%</u>
Qualified Basis	\$40,000
Applicable Credit Percentage	<u>x 4% Annual</u>
Acquisition Credit	\$1,600

REHABILITATION CREDIT

Rehabilitation Costs	\$200,000
Percentage of Low Income Units	<u>x 40%</u>
Qualified Basis	\$80,000
Applicable Credit Percentage	<u>x 9%</u>
Annual Rehab Credit	\$7,200
Acquisition Credit	<u>\$1,600</u>
Total Annual Credit	\$8,800
Period of Credit	<u>x 10 Years</u>
Total Credit over 10 years	\$88,000



MSHDA FOIA  
MSHDA Home  
Consumer Privacy Policies and Practices

MICHIGAN.GOV HOME  
ADA  
MICHIGAN NEWS  
POLICIES

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## Project Narrative: Lofts at Lumber Square

Haan Development (the “Developer”) of Harbor Springs is pleased to present Lofts at Lumber Square (“The Lofts”), to be located at 900 Emmet Street in the city of Petoskey. The Lofts represents a large-scale response to the most pressing local issue currently: the shortage of affordable workforce housing in Emmet County. It revitalizes a City priority site, repurposes a long-vacant parcel, and improves the natural environment through site clean-up and remediation – all while being in a walkable, emerging neighborhood.



*Conceptual rendering looking southwest at Emmet and Fulton Streets*

The demand for new affordable housing in Petoskey is well-documented, and the city’s long-term economic growth hinges on its ability to produce new housing. Housing North, an advocacy group formed in response to the local housing crisis, states:

A shortage of housing in Northwest Michigan is taking a toll on residents and businesses. Many residents struggle to make ends meet while living in housing that’s too expensive for their budgets – or they spend more money and time on long commutes to and from work and services. Many young families leave the region to find lower costs of living, and all too often, potential residents turn down job offers in the region because they can’t find housing they can afford. Businesses that have opportunities to grow are often unable to hire new employees from outside of the region - because they can’t find the home they need at a price they can afford.<sup>1</sup>

The impact of the housing shortage will only worsen in coming years. A study commissioned in 2019 by Housing North found that Emmet County will need as many as 1,825 newly constructed

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<sup>1</sup> Housing North website, [housingnorth.org/about.html](https://housingnorth.org/about.html).

or converted rental units to satisfy demand through 2025.<sup>2</sup> The housing shortage has in turn created a workforce shortage and, in 2018 and 2019, multiple Petoskey businesses reported limited hours or operations as a result.<sup>3</sup>

The Lofts is a 60-unit, new construction, affordable family development consisting of a single three-story, slab on grade, stick-framed elevator building. The building will include community space with a kitchen, tenant function area, ADA-compliant restroom, and manager's office. Many units will have either a patio or balcony. The unit mix will feature 15 one-bedroom apartments, 30 two-bedroom apartments, and 15 three-bedroom apartments. Unit amenities will include Energy Star appliances, garbage disposals, mounted microwaves, central heating and air conditioning, patios or balconies, window coverings, and internet access. The Lofts will be LEED certified, and energy-efficient mechanical, electrical, and plumbing systems will be used throughout.

All units at The Lofts will be reserved for eligible low- and moderate-income households earning between 30% and 80% of the area median income. For a two-person household this equates to \$16,950 at the low end and \$45,200 at the high end. Rents will range from a low of \$316 for a one-bedroom unit to a high of \$925 for a three-bedroom unit.



*Aerial view of subject site*

<sup>2</sup> Housing North website, [housingnorth.org/assets/emmet-county-tma-fact-sheet.pdf](http://housingnorth.org/assets/emmet-county-tma-fact-sheet.pdf).

<sup>3</sup> Bridge Magazine website, [bridgemi.com/quality-life/charlevoix-and-petoskey-pricey-housing-leaves-businesses-without-workers](http://bridgemi.com/quality-life/charlevoix-and-petoskey-pricey-housing-leaves-businesses-without-workers).



Lofts at Lumber Square will be situated on seven parcels totaling 65,297 square feet, or 1.5 acres, at the southwest corner of Emmet and Fulton Streets. The site is bounded on the north by Fulton Street, commercial uses, and B2B zoning; on the south by Washington Street, residential and commercial uses, and B2B and I1 zoning; on the east by Emmet Street, residential and commercial uses, and B2B zoning; and on the west by Great Lakes Central rail line (abandoned), commercial uses, and I1 zoning. The parcels are owned by Al and Toni Gruler and are controlled by the Developer through an option to purchase. The site is located outside of the special flood hazard area and is part of the B2B Mixed Use Corridor, which permits multi-family residential units by right. No rezoning is necessary, and the Developer does not intend to request any variances or special use permits. All utilities are available on site.





This property qualifies as a Part 201 Facility based on the detection of Polynuclear Aromatic Hydrocarbons (PNAs) and metals in soils above EGLE Generic Cleanup Criteria - Residential. A limited Phase II Environmental Site Assessment conducted in 2008 identified Benzo(a)pyrene above Direct Contact Criteria, arsenic above Drinking Water Criteria, and barium, cadmium, copper, and zinc above Groundwater Surface Water Criteria.

While the limited Phase II ESA did not identify the presence of mercury in the two hand-auger soil samples, the extensive storage and use of coal and railroad operations would indicate the potential for mercury above Recommended Interim Action Screening Levels (RIASL) and a subsequent site specific criterion for soil protective of vapor intrusion for mercury. As part of the Baseline Environmental Assessment process conducted by the Developer, additional due care soil sampling will be conducted to determine the nature and extent of mercury and other potential constituents with vapor intrusion potential. The Developer has received the support of the Emmet County Brownfield Redevelopment Authority to apply to the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") under the Brownfield Redevelopment Program for site clean-up and remediation.

Permanent financing sources for The Lofts includes equity from the sale of Low Income Housing Tax Credits ("LIHTC"), Rural Development 538 Guaranteed Loan funds, EGLE Brownfield Redevelopment funds, and developer equity. The Developer intends to apply for LIHTC with the Michigan State Housing Development Authority in its October 1, 2020 funding round and is in the process of applying for Brownfield Redevelopment funds in cooperation with the Emmet County Brownfield Redevelopment Authority. Application for the Rural Development 538 Guaranteed Loan will follow MSHDA's approval of LIHTC. The Developer hopes to break ground on The Lofts in the summer of 2021.

## Instructions

Income Limits for	Emmet County (Effective April 17, 2020)					
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of area median	14,850	16,950	19,080	21,180	22,890	24,570
40% of area median	19,800	22,600	25,440	28,240	30,520	32,760
50% of area median	24,750	28,250	31,800	35,300	38,150	40,950
60% of area median	29,700	33,900	38,160	42,360	45,780	49,140
80% of area median	39,600	45,200	50,880	56,480	61,040	65,520

															Max Allowed Housing Expense	Rent Limited By	Differential : Under/ (over)	Differential %	Effective AMI%	Contract Rent/Sq. Foot				
Unit	No. of Units	Unit Type	Bedrooms	Baths	Net Sq. Ft.	Contract Rent	Utilities	Total Housing Expense	Gross Rent	% of Gross Rent	% of Total Units	Gross Square Feet	% of Total Square Feet	Unit Type										
30% Family	Area Median Income Units Occupancy																							
A	3	Apartment	1	1.0	700	316	81	397	11,376	2.4%	5.0%	2,100	4.4%		398	TC Rent	1	0.25%	30.0%	\$0.45				
B	4	Apartment	2	1.0	800	376	101	477	18,048	3.7%	6.7%	3,200	6.7%		477	TC Rent	0	0.00%	30.0%	\$0.47				
C	2	Apartment	3	1.5	900	431	120	551	10,344	2.1%	3.3%	1,800	3.8%		551	TC Rent	0	0.00%	30.0%	\$0.48				
									39,768	8.2%	15.0%	7,100	14.8%											
40% Family	Area Median Income Units Occupancy																							
A	4	Apartment	1	1.0	700	449	81	530	21,552	4.5%	6.7%	2,800	5.8%		530	TC Rent	0	0.00%	40.0%	\$0.64				
B	7	Apartment	2	1.0	800	535	101	636	44,940	9.3%	11.7%	5,600	11.7%		636	TC Rent	0	0.00%	40.0%	\$0.67				
C	4	Apartment	3	1.5	900	614	120	734	29,472	6.1%	6.7%	3,600	7.5%		735	TC Rent	1	0.14%	40.0%	\$0.68				
									95,964	19.8%	25.0%	12,000	25.0%											
60% Family	Area Median Income Units Occupancy																							
A	3	Apartment	1	1.0	700	634	81	715	22,824	4.7%	5.0%	2,100	4.4%		795	TC Rent	80	10.06%	54.0%	\$0.91				
B	6	Apartment	2	1.0	800	757	101	858	54,504	11.3%	10.0%	4,800	10.0%		954	TC Rent	96	10.06%	54.0%	\$0.95				
C	2	Apartment	3	1.5	900	871	120	991	20,904	4.3%	3.3%	1,800	3.8%		1,102	TC Rent	111	10.07%	54.0%	\$0.97				
									98,232	20.3%	18.3%	8,700	18.1%											
80% Family	Area Median Income Units Occupancy																							
A	5	Apartment	1	1.0	700	725	81	806	43,500	9.0%	8.3%	3,500	7.3%		1,060	TC Rent	254	23.96%	60.8%	\$1.04				
B	13	Apartment	2	1.0	800	825	101	926	128,700	26.6%	21.7%	10,400	21.7%		1,272	TC Rent	346	27.20%	58.2%	\$1.03				
C	7	Apartment	3	1.5	900	925	120	1,045	77,700	16.1%	11.7%	6,300	13.1%		1,469	TC Rent	424	28.86%	56.9%	\$1.03				
									249,900	51.6%	41.7%	20,200	42.1%											
												48,000												
Total Units	60	15	0	15	Gross Rent Potential				483,864	HOME Units SF/Total Units SF				0.0%	Within Range									
		30	0	30	Average Monthly Rent				672	# HOME Units/# Total Units				0.0%	Within Range									
		15	0	15	Gross Square Footage				48,000															
		60	0	60																				

<b>Annual Non-Rental Income</b>	
Misc. and Interest	7,200
Laundry	
Carports	
Other:	
Other:	
	<u>7,200</u>

	<u>Electricity</u>	<u>A/C</u>	<u>Gas</u>	<u>Water/ Sewer</u>	<u>Other</u>	<u>Total</u>	<u>Override</u>
A	42		39			81	
B	55		46			101	
C	68		52			120	
D						0	
E						0	
F						0	
G						0	
H						0	

Total Income	Annual	Monthly
Rental Income	483,864	40,322
Non-Rental Income	7,200	600
Total Project Revenue	491,064	40,922

Development **Lofts at Lumber Square**  
 Financing **RD**  
 MSHDA No.  
 Step **Preliminary Assessment**  
 Date **05/05/2020**  
 Type **New Construction**

Use Revenue Page: **Standard**

**Mortgage Assumptions:**

Debt Coverage Ratio **1.2269621**  
 Mortgage Interest Rate **5.250%**  
 Pay Rate **5.250%**  
 Mortgage Term **40** years  
 Income from Operations **No**

**Instructions**

**Total Development Income Potential**

	Per Unit	Total
Annual Rental Income	8,064	483,864
Annual Excess Section 8	0	0
Annual IRP Income	0	0
Annual Non-Rental Income	120	7,200
Total Project Revenue	8,184	491,064

**Total Development Expenses**

Vacancy Loss	8.00%	of annual rent potential	645	38,709
Management Fee	508	per unit per year	508	30,480
Administration			1,583	95,000
Project-paid Fuel			300	18,000
Common Electricity			300	18,000
Water and Sewer			500	30,000
Operating and Maintenance			1,583	95,000
Real Estate Taxes			0	0
Payment in Lieu of Taxes (PILOT)	10.00%	Applied to: <b>TC Units Only</b>	632	37,915
Insurance			180	10,800
Replacement Reserve	300	per unit per year	300	18,000
Other:			0	
Other:			0	
		% of Revenue		

Initial Inflation Factor	Beginning in Year	Future Inflation Factor
2.0%	1	2.0%
2.0%	1	2.0%
Future Vacancy		
	6	8.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%
3.0%	1	3.0%

<b>Total Expenses</b>	79.81%	<b>6,532</b>	<b>391,905</b>
<b>Expenses without Vacancy and RR</b>		<b>5,587</b>	<b>335,195</b>
Base Net Operating Income (excludes Excess Section 8 and IRP Income)		1,653	99,159
Part A Mortgage Payment	0.00%	0	0
<b>Part A Mortgage</b>		<b>0</b>	<b>0</b>
Non MSHDA Financing Mortgage Payment		1,347	80,817
<b>Non MSHDA Financing Type:</b>		<b>22,500</b>	<b>1,350,000</b>
Base Project Cash Flow (excludes ODR and Part B)	3.74%	306	18,342

<b>Part B Loan Analysis</b>	Part B Loan?: <b>No</b>		
Part B Term In Months		0	
Part B Debt Coverage Ratio		1.00	
Excess Section 8 Income	0.00%	0	0
IRP Income	0.00%	0	0
Part B Mortgage Payment		0	0
<b>Part B Mortgage</b>		<b>0</b>	<b>0</b>

Summary	Annual Payment		Total Loan Amount	
	Per Unit	Total	Per Unit	Total
Part A Mortgage	0	0	0	0
Part B Mortgage	0	0	0	0
<b>Total Mortgage</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Development Lofts at Lumber Square  
Financing RD  
MSHDA No. 0  
Step Preliminary Assessment  
Date 05/05/2020  
Type New Construction

Instructions

TOTAL DEVELOPMENT COSTS				Per Unit	Total	% in Basis	Included in Tax Credit Basis	Per Unit	Total	% in Basis	Included in Tax Credit Basis
<b>Acquisition</b>											
Land				7,500	450,000	0%	0	2,177	130,635	0%	0
Existing Buildings				0		100%	0	0	0	0%	0
Other:				0		0%	0	1,205	72,314	0%	0
Subtotal				7,500	450,000			0	0	0%	0
<b>Construction/Rehabilitation</b>											
Off Site Improvements				0		100%	0	0	0	0%	0
On-site Improvements				0		100%	0	0	0	0%	0
Landscaping and Irrigation				0		100%	0	0	0	0%	0
Structures				155,000	9,300,000	100%	9,300,000	0	0	0%	0
Community Building and/or Maintenance Facility				0		100%	0	0	0	0%	0
Construction not in Tax Credit basis (i.e.Carpports and Commercial Space				0		0%	0	0	0	0%	0
General Requirements	% of Contract	5.81%	Within Range	9,300	558,000	100%	558,000	0	0	0%	0
Builder Overhead	% of Contract	1.83%	Within Range	3,100	186,000	100%	186,000	0	0	0%	0
Builder Profit	% of Contract	5.39%	Within Range	9,300	558,000	100%	558,000	0	0	100%	0
Permits, Bond Premium, Tap Fees, Cost Cert.				2,500	150,000	100%	150,000	0	0	100%	0
Other: Environmental Cleanup				5,000	300,000	100%	300,000	0	0		
Subtotal				184,200	11,052,000			3,382	202,949		
15% of acquisition and \$15,000/unit test:					met						
<b>Professional Fees</b>											
Design Architect Fees				2,500	150,000	100%	150,000	0	0	0%	0
Supervisory Architect Fees				250	15,000	100%	15,000	0	0	0%	0
Engineering/Survey				333	20,000	100%	20,000	0	0	100%	0
Other:				0		100%	0	0	0	100%	0
Subtotal				3,083	185,000						
<b>Interim Construction Costs</b>											
Property & Casualty Insurance				75	4,500	100%	4,500				
Construction Period Interest	12 months			4,167	250,000	100%	250,000				
Title Work				667	40,000	100%	40,000				
Legal Fees (in Tax Credit Basis)				667	40,000	100%	40,000				
Construction Taxes				167	10,000	100%	10,000				
Other:				1,333	80,000	100%	80,000				
Subtotal				7,075	424,500						
<b>Permanent Financing</b>											
Loan Commitment Fee to MSHDA				0	0	0%	0				
Other: RD Loan Fees				917	55,000	0%	0				
Subtotal				917	55,000						
<b>Other Costs (In Basis)</b>											
Application Fee				90	5,400	0%	0				
Market Study				67	4,000	100%	4,000				
Environmental Studies				1,000	60,000	100%	60,000				
Cost Certification				128	7,700	100%	7,700				
Equipment and Furnishings				417	25,000	100%	25,000				
Temporary Tenant Relocation				0		100%	0		0		
Construction Contingency				7,368	442,080	100%	442,080				
Appraisal and C.N.A.				0		100%	0				
Other: Miscellaneous Soft Costs				667	40,000	100%	40,000				
Subtotal				9,736	584,180						
<b>Other Costs (NOT In Basis)</b>											
Start-up and Organization				167	10,000	0%	0				
Tax Credit Fees (based on 2017 QAP)	91,537	Within Range		1,526	91,537	0%	0				
Compliance Monitoring Fee (based on 2017 QAP)				475	28,500	0%	0				
Marketing Expense				667	40,000	0%	0				
Syndication Legal Fees				0		0%	0				
Rent Up Allowance	5.0 months			338	20,298	0%	0				
Other:				0		0%	0				
Subtotal				3,172	190,335						
<b>Summary of Acquisition Price</b>				As of							
Attributed to Land	450,000			1st Mortgage Balance							
Attributed to Existing Structure:	0			Subordinate Mortgage(s)							
Other:	0			Subordinate Mortgage(s)							
Fixed Price to Seller	450,000			Subordinate Mortgage(s)							
				Premium/(Deficit) vs Existing Debt	450,000						
<b>Appraised Value</b>				Value As of:							
"Encumbered As-Is" value as determined by appraisal:											
Plus 5% of Appraised Value:					0						
LESS Fixed Price to the Seller:					450,000						
Surplus/(Gap)				Out of Range	(450,000)						
<b>Project Reserves</b>											
Operating Assurance Reserv	4.0 months	Funded in Cas									
Replacement Reserve											
Operating Deficit Reserve											
One Month Gross Rent Potential											
Remarketing Reserve											
Rent Lag Escrow											
Tax and Insurance Escrows											
Other:											
Other:											
Subtotal											
<b>Miscellaneous</b>											
Other (Not in Basis):											
Other (Not in Basis):											
Other (In Basis):											
Other (In Basis):											
Subtotal											
<b>Total Acquisition Costs</b>											
<b>Total Construction Hard Costs</b>											
<b>Total Non-Construction ("Soft") Costs</b>											
<b>Developer Overhead and Fee</b>											
Maximum	1,500,000										
7.5% of Acquisition/Project Reserves		Override									
15% of All Other Development Costs											
Subtotal											
<b>Total Development Cost</b>											
<b>TOTAL DEVELOPMENT SOURCES</b>											
				% of TDC							
MSHDA Permanent Mortgage				0.00%	0						
Conventional/Other Mortgage				9.22%	22,500	1,350,000					
Equity Contribution from Tax Credit Syndication				88.66%	216,388	12,983,266					
MSHDA NSP Funds				0.00%	0						
MSHDA HOME				0.00%	0						
MSHDA Preservation Fund				0.00%	0						
Other MSHDA:				0.00%	0						
Local HOME				0.00%	0						
Income from Operations				0.00%	0	0					
Other Equity				0.00%	0						
Transferred Reserves:				0.00%	0	0					
Other: Brownfield Grant				1.37%	3,333	200,000					
Other:				0.00%	0						
Deferred Developer Fee				0.76%	1,845	110,698					
<b>Total Permanent Sources</b>											
<b>Sources Equal Uses?</b>											
Surplus/(Gap)											
<b>3rd Party Construction Loan</b>											
Construction Loan Rate	5.250%										
Repaid from equity prior to final closing											
<b>Eligible Basis for LIHTC/TCAP</b>											
Acquisition	0										
Construction	16,488,336										
Acquisition Credit %	3.22%										
Rehab/New Const Credit %	9.00%										
Qualified Percentage	100.00%										
QCT/DDA Basis Boost	120%										
Historic?	No										
<b>Value of LIHTC/TCAP</b>											
Acquisition	0										
Construction	1,483,950										
Acquisition Credit %	3.22%										
Equity Price	\$0.8750										
Equity Effective Price	\$0.8750										
Equity Contribution	12,983,266										
<b>Initial Owner's Equity Calculation</b>											
Equity Contribution from Tax Credit Syndication	12,983,266										
Brownfield Equity											
Historic Tax Credit Equity											
General Partner Capital Contributions											
Other Equity Sources											
<b>New Owner's Equity</b>											
<b>Existing Reserv</b>											
DCE Interest:											
Insurance:											
Taxes:											
Rep. Reserve:											
ORC:											
DCE Principal:											
Other:											

## Cash Flow Projections

Development Lofts at Lumber Square  
Financing RD  
MSHDA No. 0  
Step Preliminary Assessment  
Date 05/05/2020  
Type New Construction

	Initial Inflator	Starting in Yr	Future Inflator	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				1	2	3	4	5	6	7	8	9	10
<b>Income</b>													
Annual Rental Income	2.0%	1	2.0%	483,864	493,541	503,412	513,480	523,750	534,225	544,909	555,808	566,924	578,262
Annual Excess Section 8				0	0	0	0	0	0	0	0	0	0
Annual IRP Income				0	0	0	0	0	0	0	0	0	0
Annual Non-Rental Income	2.0%	1	2.0%	7,200	7,344	7,491	7,641	7,794	7,949	8,108	8,271	8,436	8,605
<b>Total Project Revenue</b>				<b>491,064</b>	<b>500,885</b>	<b>510,903</b>	<b>521,121</b>	<b>531,543</b>	<b>542,174</b>	<b>553,018</b>	<b>564,078</b>	<b>575,360</b>	<b>586,867</b>
<b>Expenses</b>													
Vacancy Loss	8.0%	6	8.0%	38,709	39,483	40,273	41,078	41,900	42,738	43,593	44,465	45,354	46,261
Management Fee	3.0%	1	3.0%	30,480	31,394	32,336	33,306	34,306	35,335	36,395	37,487	38,611	39,769
Administration	3.0%	1	3.0%	95,000	97,850	100,786	103,809	106,923	110,131	113,435	116,838	120,343	123,953
Project-paid Fuel	3.0%	1	3.0%	18,000	18,540	19,096	19,669	20,259	20,867	21,493	22,138	22,802	23,486
Common Electricity	3.0%	1	3.0%	18,000	18,540	19,096	19,669	20,259	20,867	21,493	22,138	22,802	23,486
Water and Sewer	3.0%	1	3.0%	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Operating and Maintenance	3.0%	1	3.0%	95,000	97,850	100,786	103,809	106,923	110,131	113,435	116,838	120,343	123,953
Real Estate Taxes	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)				37,915	38,608	39,312	40,028	40,757	41,497	42,251	43,017	43,796	44,589
Insurance	3.0%	1	3.0%	10,800	11,124	11,458	11,801	12,155	12,520	12,896	13,283	13,681	14,092
Replacement Reserve	3.0%	1	3.0%	18,000	18,540	19,096	19,669	20,259	20,867	21,493	22,138	22,802	23,486
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%	0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses				391,905	402,830	414,065	425,622	437,507	449,731	462,304	475,236	488,537	502,218
<b>Debt Service</b>													
Debt Service Part A				0	0	0	0	0	0	0	0	0	0
Debt Service Part B				0	0	0	0	0	0	0	0	0	0
Debt Service Conventional/Other Financing				80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817
<b>Total Expenses</b>				<b>472,722</b>	<b>483,646</b>	<b>494,882</b>	<b>506,439</b>	<b>518,324</b>	<b>530,548</b>	<b>543,121</b>	<b>556,053</b>	<b>569,354</b>	<b>583,035</b>
<b>Cash Flow/(Deficit)</b>				<b>18,342</b>	<b>17,239</b>	<b>16,020</b>	<b>14,682</b>	<b>13,219</b>	<b>11,626</b>	<b>9,896</b>	<b>8,025</b>	<b>6,005</b>	<b>3,831</b>
<b>Cash Flow Per Unit</b>				306	287	267	245	220	194	165	134	100	64
<b>Debt Coverage Ratio on Part A Loan</b>				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Debt Coverage Ratio on Conventional/Other Financing</b>				1.23	1.21	1.20	1.18	1.16	1.14	1.12	1.10	1.07	1.05

Interest Rate on Reserves **3%**

Average Cash Flow as % of Net Income

### Operating Deficit Reserve (ODR) Analysis

Maintained Debt Coverage Ratio (Hard Debt)	1.00												
Maintained Operating Reserve (No Hard Debt)													
Initial Balance		Initial Deposit		72,314	74,484	76,718	79,020	81,390	83,832	86,347	88,937	91,605	94,354
Total Annual Draw to achieve 1.0 DCR				0	0	0	0	0	0	0	0	0	0
Total Annual Deposit to achieve Maintained DCR				0	0	0	0	0	0	0	0	0	0
Total 1.0 DCR and Maintained DCR				0	0	0	0	0	0	0	0	0	0
Interest				2,169	2,235	2,302	2,371	2,442	2,515	2,590	2,668	2,748	2,831
Ending Balance at Maintained DCR				74,484	76,718	79,020	81,390	83,832	86,347	88,937	91,605	94,354	97,184
<b>Maintained Cash Flow Per Unit</b>				306	287	267	245	220	194	165	134	100	64
<b>Maintained Debt Coverage Ratio on Part A Loan</b>				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Maintained Debt Coverage Ratio on Conventional/Other Standard ODR</b>				1.23	1.21	1.20	1.18	1.16	1.14	1.12	1.10	1.07	1.05
<b>Non-standard ODR</b>				13,690	58,624								

### Operating Assurance Reserve Analysis

Required in Year:	1	Initial Deposit											
Initial Balance			130,635	130,635	134,554	138,591	142,748	147,031	151,442	155,985	160,664	165,484	170,449
Interest Income			3,919	4,037	4,158	4,282	4,411	4,543	4,680	4,820	4,965	5,113	
Ending Balance			134,554	138,591	142,748	147,031	151,442	155,985	160,664	165,484	170,449	175,562	

### Deferred Developer Fee Analysis

Initial Balance			110,698	92,356	75,117	59,096	44,414	31,194	19,569	9,672	1,647	0	
Dev Fee Paid			18,342	17,239	16,020	14,682	13,219	11,626	9,896	8,025	1,647	0	
Ending Balance		Repaid in yr: 2029	92,356	75,117	59,096	44,414	31,194	19,569	9,672	1,647	0	0	

## Cash Flow Projections

D

				Initial Inflator	Starting in Yr	Future Inflator		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
								11	12	13	14	15	16	17	18	19	20
<b>Income</b>																	
Annual Rental Income	2.0%	1	2.0%					589,828	601,624	613,657	625,930	638,448	651,217	664,242	677,526	691,077	704,898
Annual Excess Section 8								0	0	0	0	0	0	0	0	0	0
Annual IRP Income								0	0	0	0	0	0	0	0	0	0
Annual Non-Rental Income	2.0%	1	2.0%					8,777	8,952	9,131	9,314	9,500	9,690	9,884	10,082	10,283	10,489
<b>Total Project Revenue</b>								<b>598,604</b>	<b>610,576</b>	<b>622,788</b>	<b>635,244</b>	<b>647,949</b>	<b>660,907</b>	<b>674,126</b>	<b>687,608</b>	<b>701,360</b>	<b>715,388</b>
<b>Expenses</b>																	
Vacancy Loss	8.0%	6	8.0%					47,186	48,130	49,093	50,074	51,076	52,097	53,139	54,202	55,286	56,392
Management Fee	3.0%	1	3.0%					40,963	42,191	43,457	44,761	46,104	47,487	48,911	50,379	51,890	53,447
Administration	3.0%	1	3.0%					127,672	131,502	135,447	139,511	143,696	148,007	152,447	157,021	161,731	166,583
Project-paid Fuel	3.0%	1	3.0%					24,190	24,916	25,664	26,434	27,227	28,043	28,885	29,751	30,644	31,563
Common Electricity	3.0%	1	3.0%					24,190	24,916	25,664	26,434	27,227	28,043	28,885	29,751	30,644	31,563
Water and Sewer	3.0%	1	3.0%					40,317	41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605
Operating and Maintenance	3.0%	1	3.0%					127,672	131,502	135,447	139,511	143,696	148,007	152,447	157,021	161,731	166,583
Real Estate Taxes	3.0%	1	3.0%					0	0	0	0	0	0	0	0	0	0
Payment in Lieu of Taxes (PILOT)								45,394	46,213	47,046	47,893	48,754	49,629	50,519	51,424	52,343	53,278
Insurance	3.0%	1	3.0%					14,514	14,950	15,398	15,860	16,336	16,826	17,331	17,851	18,386	18,938
Replacement Reserve	3.0%	1	3.0%					24,190	24,916	25,664	26,434	27,227	28,043	28,885	29,751	30,644	31,563
Other:	3.0%	1	3.0%					0	0	0	0	0	0	0	0	0	0
Other:	3.0%	1	3.0%					0	0	0	0	0	0	0	0	0	0
Subtotal: Operating Expenses								516,290	530,765	545,653	560,967	576,719	592,923	609,590	626,736	644,372	662,515
<b>Debt Service</b>																	
Debt Service Part A								0	0	0	0	0	0	0	0	0	0
Debt Service Part B								0	0	0	0	0	0	0	0	0	0
Debt Service Conventional/Other Financing								80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817	80,817
<b>Total Expenses</b>								<b>597,107</b>	<b>611,582</b>	<b>626,470</b>	<b>641,784</b>	<b>657,536</b>	<b>673,740</b>	<b>690,407</b>	<b>707,553</b>	<b>725,189</b>	<b>743,332</b>
<b>Cash Flow/(Deficit)</b>								<b>1,497</b>	<b>(1,005)</b>	<b>(3,682)</b>	<b>(6,540)</b>	<b>(9,588)</b>	<b>(12,832)</b>	<b>(16,282)</b>	<b>(19,944)</b>	<b>(23,829)</b>	<b>(27,944)</b>
<b>Cash Flow Per Unit</b>								25	(17)	(61)	(109)	(160)	(214)	(271)	(332)	(397)	(466)
<b>Debt Coverage Ratio on Part A Loan</b>								N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Debt Coverage Ratio on Conventional/Other Financing</b>								1.02	0.99	0.95	0.92	0.88	0.84	0.80	0.75	0.71	0.66

Interest Rate on Reserves	3%
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### Operating Deficit Reserve (ODR) Analysis

[illegible]

### Operating Assurance Reserve Analysis

[illegible]

### Deferred Developer Fee Analysis

[illegible]









VIEW FROM EMMET STREET





VIEW FROM PARKING LOT





**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Discussion Regarding Potential Postponement of Several 2020 General Fund Expenditures

**RECOMMENDATION:** That City Council discuss – no official action needed

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**Background** At this time there is much uncertainty as to what the actual financial impacts will be to local governments as a result of the COVID-19 pandemic. The uncertainty stems from outstanding questions regarding the duration of the “Stay Home Stay Safe” Executive Order and when non-essential businesses will be allowed to operate again. I think it is safe to say, that without a COVID-19 vaccine, impacts to our daily lives and behavior will continue to hamper economic activity. Early predictions call for a \$1 billion-\$3 billion shortfall in the State budget for the current year with an additional \$1 billion-\$4 billion shortfall for 2021. When this occurs, I anticipate State funding to municipalities to drop substantially.

Of greatest concern is potential cuts to State revenue sharing which is derived from the State sales tax and makes up the second largest outside source of funding in the General Fund. In the 2020 City Budget, \$588,000 was earmarked as revenues from State revenue sharing which could be cut up to 50% in 2020 equating to a \$294,000 shortfall in the General Fund. Keep in mind also that property owners will most likely contest their property valuations in the coming years leading to a drop in taxable value for the City. Generally, there is a one to two year lag so reductions in taxable value will not become evident until late 2021 or in 2022.

Considering reductions in revenue sharing this year and in 2021 and future tax losses from reductions in taxable value, staff recommends the possible postponement of the following major 2020 General Fund budgetary items:

### **1. MERS Unfunded Accrued Liability (UAL) Payment**

- \$200,000 from the General Fund is allocated towards an additional \$1,000,000 payment to MERS to pay down the Unfunded Accrued Liability (UAL). This \$200,000 payment could be postponed until November or December when we should have a better grasp of our overall financial picture. Current funding rate is at 85% (2018 figure, 2019 percentage funded estimate to come out in June) with the City’s Action Plan setting a goal of 90% funded.

### **2. City Hall Campus Fund**

- City staff has finalized a Request For Proposals (RFP) for a potential solar array on City Hall. \$150,000 earmarked for this project with \$75,000 coming from the General Fund. Council could choose to put the project out to bid and consider funding the solar array project contingent upon costs and the actual electricity produced.

- City Hall Windows-\$50,000 was budgeted in 2020 for new windows in City Hall. Late in 2019, storm windows were installed making City Hall much more energy efficient. As such, we do not see a need to replace the windows at this time. Nevertheless, with recent water intrusion issues it may be best to have these Building Maintenance dollars in reserve in case there are additional expenses to mitigate water issues at City Hall.

### **3. Parks Maintenance**

- Little Traverse Wheelway Resurfacing and Engineering - \$127,000 was budgeted as matching grant dollars to resurface one-mile of the Little Traverse Wheelway. Another \$13,000 was budgeted for engineering a future resurfacing project on the Wheelway. With an indefinite closure of the Wheelway between Magnus Park and East Park, City of Petoskey and other partners should focus our efforts on designing and constructing a new trail adjacent to the US-31 Highway between East Park and Jackson Street. Costs of the initial trail engineering work should be shared with various local entities.
- Tennis Court Resurfacing – Postpone resurfacing of tennis courts. Light maintenance such as crack sealing and power washing could be implemented instead of a full asphalt resurfacing. Costs savings of \$12,000-\$15,000.

### **4. Magnus Park**

- Siding of Magnus Park cabin can be delayed saving the City roughly \$5,000.

### **5. City Marina**

- \$50,000 was budgeted for ice damage that never occurred. With a late start to the boating season, marina revenues most likely will be down.

### **6. Planning**

- Reduce the amount of consulting services from \$15,000 to \$7,500 for the development of the master plan. Remainder of funds will be used to continue the Livable Petoskey website and for possible graphics/mapping assistance associated with the master plan.

### **7. Public Safety**

- Fire Hall Upstairs Carpet Replacement – Carpet is getting old, but project could be delayed. \$13,000 budgeted.

Obviously, training/education options these days are all done remotely. Further cost savings throughout the General Fund in 2020 will be realized by not travelling to out-of-town conferences.

**Action** As there are many uncertainties regarding State revenue sharing for municipalities in 2020, both the Finance Director and City Manager recommend postponing the aforementioned projects. These actions should better position the City financially if substantial reductions of revenue sharing are forthcoming.

With City Council's concurrence, we could request bids for the rooftop solar project on City Hall and discuss when the bids come in whether to move forward with the project. Additionally, the MERS \$200,000 contribution from the General Fund can be delayed at this point and discussed later in the year.

No official action needed by City Council.



# City of Petoskey

## Agenda Memo

**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**DATE PREPARED:** May 14, 2020

**AGENDA SUBJECT:** Application to the MDOT-Transportation Economic Development Fund (TEDF) for Category B Grant Monies

**RECOMMENDATION:** That the City Council adopt the proposed resolution

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**Background** On March 18, 2020 the Michigan Department of Transportation (MDOT) announced they would be accepting applications for the Transportation Economic Development Fund (TEDF) Category B Program. This state grant is a result of Public Act 473 that was signed into law December 26, 2018. The Act provides \$3,000,000 per year, through 2023, and is to be allocated for road improvements to cities and villages with a population of 10,000 or fewer. The maximum grant request is limited to \$250,000 and must be matched equally by the requesting agency. Applications are due by June 1, 2020 for work to be performed in the 2021 construction season.

MDOT considers Category B grant applications to be very competitive and look favorable to streets that are not eligible for Federal Highway Administration (FHWA) funding. Streets having a better chance of being funded for improvements through this program would be streets designated as Local, streets scoring low on the Pavement Surface Evaluation and Rating (PASER) system, and streets that are not eligible for the federal funded Small Urban Program that the City of Petoskey has utilized for years. Eligible work under this funding includes many types of preventative maintenance measures including the “mill and fill” type resurfacing the City typically uses. MDOT indicated it intends to make notification of the successful applicants by mid-July 2020.

**Scope** City staff has identified three street segments that would be good candidates for eligible funding through the TEDF Category B Grant and includes Hill Street from Northmen Drive to Kalamazoo Avenue; West Jefferson Street from Connable Avenue to Ingalls Avenue; and Connable Avenue from West Jefferson Street to approximately 200 feet south. Total construction cost is estimated at \$163,000 with the City responsible for 50% match funding in the amount of \$81,500. Planned improvements for these streets fall under the favorable Preventative Maintenance Guide and would include; a “mill and fill” type pavement replacement; miscellaneous as-needed repairs to curb and gutter structures and drive approaches; and sidewalk repairs and modifications for ADA compliance. Utility investigations would also be considered but would not be eligible for grant funding.

**Requirements** As part of the application process, MDOT requires a formal commitment from the public agency that will be receiving these funds. The enclosed model resolution as supplied by MDOT establishes the following requirements for application; a request for \$81,500 of funding; attest to the existence of matching funds in the amount of \$81,500; designate the Director of Public Works as an agent on behalf of the City of Petoskey to execute documents; and commit to implementing a maintenance program for the resurfacing of portions of Hill Street, West Jefferson Street, and Connable Avenue as funded by the TEDF Category B program.

**Recommendation** City staff recommends that City Council approve the enclosed resolution as required for application to the Michigan Department of Transportation for grant monies available through the Transportation Economic Development Fund – Category B.

mr  
Enclosure



**A RESOLUTION TO ESTABLISH A REQUEST FOR FUNDING, DESIGNATE AN AGENT, ATTEST TO THE EXISTENCE OF FUNDS AND COMMIT TO IMPLEMENTING A MAINTENANCE PROGRAM FOR RESURFACING OF LOCAL ROADS FUNDED BY THE TRANSPORTATION ECONOMIC DEVELOPMENT FUND CATEGORY B PROGRAM**

WHEREAS, the City of Petoskey is applying for \$81,500 in funding through MDOT from the Transportation Economic Development Category B Program to construct resurfacing of Local Roads including Hill Street from Northmen Drive to Kalamazoo Avenue; West Jefferson Street from Connable Avenue to Ingalls Avenue; and Connable Avenue from West Jefferson Street to approximately 200 feet south; and

WHEREAS, MDOT requires a formal commitment from the public agency that will be receiving these funds and will be implementing and maintaining these infrastructure projects;

NOW, THEREFORE, BE IT RESOLVED that the City has authorized Michael Robbins, Public Works Director, to act as agent on behalf of the City to request Transportation Economic Development Fund Category B Program funding, to act as the applicant's agent during the project development, and to sign a project agreement upon receipt of a funding award; and

BE IT FURTHER RESOLVED, that the City attests to the existence of, and commits to, providing at least \$81,500 toward the construction costs of the project(s), and all costs for design, permit fees, administration costs and cost overruns; and

BE IT FURTHER RESOLVED, that the City commits to owning, operating, funding and implementing a maintenance program over the design life of the facilities constructed with Transportation Economic Development Fund Category B Program funding.

PRESENT:

NAYS:

ABSENT:

RESOLUTION DECLARED ADOPTED.

State of Michigan       )  
County of Emmet       ) ss  
City of Petoskey       )

I, Alan Terry, Clerk of the City of Petoskey, do hereby certify that the foregoing is a true copy of a resolution adopted by the City of Petoskey City Council at a special meeting on the \_\_\_\_ day of \_\_\_\_\_, 2020, and of the whole thereof.

In witness whereof, I have hereunto set my hand and affixed the corporate seal of said City of Petoskey this \_\_\_\_ day of \_\_\_\_\_, 2020.

---

Alan Terry, City Clerk



**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**DATE PREPARED:** May 12, 2020

**AGENDA SUBJECT:** Consideration to approve an Off-Premise Tasting Room for Mammoth Distilling LLC to be located at 4181 Main Street, Bay Harbor

**RECOMMENDATION:** That the City Council grant local approval and approve resolution

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**Background** Chad Munger, Mammoth Distilling LLC, is requesting approval to operate an Off-Premises Tasting Room in the Village of Bay Harbor. Bay Harbor is aware of the business intentions and has drafted a lease agreement with Mammoth Distilling LLC. The location listed on the lease agreement is 4181 Main Street, Bay Harbor.

Mammoth Distilling LLC has been in business since 2013 and is currently licensed with the Michigan Liquor Control Commission as a Small Distiller, Micro Brewer and Small Wine Maker. The company is based out of Torch Lake and currently operates tasting rooms in Central Lake, Bellaire, Traverse City and Adrian. In December of 2019, City Council granted local governmental approval to Mammoth Distilling LLC for a tasting room located at 4197 Main Street, Bay Harbor. Prior to taking occupancy Mammoth Distilling LLC determined the location of 4181 Main Street would better fit their needs. Excluding the address this request for approval is identical to the prior granted approval.

The Michigan Liquor Control Commission requires local governing body approval for an Off-Premises Tasting Room License. Business representative Chad Munger assures only tastings of wine, spirits and cocktails produced by Mammoth Distilling LLC will be provided at this off-premises location.

**Action** If City Council is agreeable to allowing Mammoth Distilling LLC to apply for an Off-Premises Tasting Room to be located at 4181 Main Street, Bay Harbor, a motion can be made for approval of the enclosed resolution.

mb  
Enclosure



**Local Government Approval For Off-Premises Tasting Room License**  
(Authorized by MCL 436.1536)

**Instructions for Applicants:**

- You must obtain a recommendation from the local legislative body for a new Off-Premises Tasting Room License application.

**Instructions for Local Legislative Body:**

- Complete this resolution or provide a resolution, along with certification from the clerk or adopted minutes from the meeting at which this request was considered.

At a \_\_\_\_\_ meeting of the \_\_\_\_\_ council/board  
(regular or special) (township, city, village)  
called to order by \_\_\_\_\_ on \_\_\_\_\_ at \_\_\_\_\_  
the following resolution was offered: (date) (time)  
Moved by \_\_\_\_\_ and supported by \_\_\_\_\_  
that the application from Mammoth Distilling, LLC Chad Munger- (773) 841-4242  
(name of applicant - if a corporation or limited liability company, please state the company name)

for a **NEW OFF-PREMISES TASTING ROOM LICENSE**

to be located at: 4181 Main St. Bay Harbor, Michigan 49770

It is the consensus of this body that it \_\_\_\_\_ this application be considered for  
(recommends/does not recommend)  
approval by the Michigan Liquor Control Commission.

If disapproved, the reasons for disapproval are \_\_\_\_\_

**Vote**

Yeas: \_\_\_\_\_

Nays: \_\_\_\_\_

Absent: \_\_\_\_\_

I hereby certify that the foregoing is true and is a complete copy of the resolution offered and adopted by the \_\_\_\_\_  
council/board at a \_\_\_\_\_ meeting held on \_\_\_\_\_ (township, city, village)  
(regular or special) (date)

\_\_\_\_\_  
Print Name of Clerk

\_\_\_\_\_  
Signature of Clerk

\_\_\_\_\_  
Date

Under Article IV, Section 40, of the Constitution of Michigan (1963), the Commission shall exercise complete control of the alcoholic beverage traffic within this state, including the retail sales thereof, subject to statutory limitations. Further, the Commission shall have the sole right, power, and duty to control the alcoholic beverage traffic and traffic in other alcoholic liquor within this state, including the licensure of businesses and individuals.

Please return this completed form along with any corresponding documents to:

Michigan Liquor Control Commission

Mailing address: P.O. Box 30005, Lansing, MI 48909

Hand deliveries or overnight packages: Constitution Hall - 525 W. Allegan, Lansing, MI 48933

Fax to: 517-763-0059





**BOARD:** City Council

**MEETING DATE:** May 18, 2020

**PREPARED:** May 12, 2020

**AGENDA SUBJECT:** Tax Millage Rate Resolution

**RECOMMENDATION:** That City Council adopt this proposed resolution

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**Background** City Council approved the 2020 Annual Budget at their November 18, 2019, meeting which included a provision for property-tax millage rates to remain the same as in 2019. City Council is now being asked to formally establish the millage rates necessary to provide the budgeted property-tax revenue approved in the 2020 Annual Budget for the General Fund, Library Fund, and Right-of-Way Fund.

**Millages** Millage rates are authorized by State law, City Charter, and voter approval. The total of all five original City millages is 19.75 mills, with the City Charter setting the general-operating millage at ten mills and the right-of-way millage at five mills. State law allows up to two mills for solid-waste programs and one mill for library purposes, and a second mill with voter approval, along with a voter approved .75 mill for Public Safety equipment, with all rates subject to rollback by the "Headlee Amendment".

**Taxable Value** The 2020 Annual Budget estimated property-tax revenues are based on the same millage rates established last year and an increased taxable value projected at 2.1% more than in 2019, or \$523,385,510. The actual taxable value for 2020 has now been established at \$527,875,306, for a 2.98% increase over 2019, or \$4,489,796 more than 2020 estimated.

The actual increase in taxable value is higher than the estimated taxable value and the State inflation rate is 1.9%, which is less than the actual taxable value increase of 2.98%. This lower rate of inflation used in computing the Headlee tax limitation, will require the City's millage rates to be rolled back. Therefore, the City will not be able to realize the entire increase in taxable value, which has been an issue in recent years.

Even though the City's taxable value in recent years has increased by 1% to 3% due to market value increases, the State's rate of inflation has required the City to roll back the millage rates, which reduces the increase in tax revenues. The City does realize increases in tax revenue from new construction, but this has been minimal in recent years.

**Revenues** Property tax revenue budgeted for 2020 includes \$4,063,200 for the General Fund, consisting of \$3,449,500 for general-operating purposes, \$226,000 for solid-waste programs and \$387,700 for Public Safety equipment, which will now total \$3,489,800, and \$228,000, and \$357,000 respectively. The Library Fund budgeted amount of \$840,500 will now total \$842,500 for the combined voter-approved and Council-approved millage rates. The Right-of-Way Fund budgeted tax revenues of \$1,792,000 will now total \$1,797,100.

**Tax Revenue Analysis** The following is a schedule of property tax revenue that will be collected for each fund based on millage rates included in the approved 2020 Annual Budget rolled back as required by the Headlee Amendment, at the taxable value now established for this year of \$527,875,306.

Purpose	Millage Rate	Gross Tax Revenues	Less		Net Tax Revenues
			TIFA Captures	Township Act 425	
General Operating	7.4837	\$3,950,500	\$140,200	\$ 320,500	\$3,489,800
Solid waste	0.4890	258,100	9,200	20,900	228,000
Public Safety equip	0.7377	389,400	800	31,600	357,000
Library	1.7694	934,000	15,700	75,800	842,500
Right-of-Way	3.8537	2,034,300	72,200	165,000	1,797,100

**Action** Enclosed is a proposed resolution that would establish the five property-tax-millage rates for 2020 and would authorize appropriations from such levies to the General Fund, Library Fund, and Right of Way Fund.

at  
Enclosure



## City of Petoskey

## Resolution

WHEREAS, as required by City Charter provisions, the City Manager on November 4, 2019 presented to the City Council the City's proposed annual budget for the 2020 fiscal year; and

WHEREAS, as also required by City Charter provisions, the City Council on November 18, 2019, conducted a public hearing to receive comments concerning the proposed budget, including rates of property-tax millages that had been estimated for levies during 2020; and

WHEREAS, following its review of the proposed 2020 Annual Budget, and after conducting a public hearing to receive comments concerning the proposed budget and estimated tax levies, the City Council on November 18, 2019, approved the 2020 Annual Budget:

NOW, THEREFORE, BE IT RESOLVED that the City of Petoskey City Council does and hereby directs that there shall be raised through a general tax upon the taxable real and personal property within the City during the next summer tax levy for the year commencing January 1, 2020, millages in the amount of 7.4837 for general operating purposes, 0.4890 for solid-waste purposes, 0.7377 for Public Safety equipment purchases, 1.7694 for library purposes, and 3.8537 for right-of-way purposes; and, when collected, proceeds from such levy are hereby appropriated to the General Fund, Library Fund, and Right-of-Way Fund; and

BE IT FURTHER RESOLVED that the total aggregated amount of all such authorized millages shall total 14.3335 mills; and

BE IT FURTHER RESOLVED that these various millages so ordered to be levied shall be certified by the City Clerk-Treasurer to the City Assessor and shall be levied and collected upon the taxable value of all taxable property within the City.