The Marquette County Board of Commissioners met in Special Session as a Committee of the Whole on Wednesday, March 6, 2002 at 6:00 p.m. in Room 231 of the Henry A. Skewis Annex, Marquette, Michigan, for the purpose of Proposals for Development of Sawyer Housing.


Chairperson Corkin opened the meeting for public comment. None was forthcoming.

It was moved by Comm. Tuominen, seconded by Comm. Moore, and unanimously carried by voice vote that the agenda be approved as presented.

The Committee considered Proposals for Development of Sawyer Housing. Two groups were present to address the Committee with their proposals. SLP Development, Inc. and SCP (The Minervini Group). A third proposal was received from William Perry.

SLP Development, LLC is comprised of major shareholders of Red Fox Woods (RFW) and K.I. Sawyer Development (KISD). Frank Leckwalt, William Pesola, Kerry Sorensen and Rich Sorensen were present to propose a continuing partnership that has already been established with the County of Marquette in former years, to redevelop the remaining 622 unsold housing units at Sawyer. SLP is offering a profit sharing project in which the County of Marquette will benefit from the experience gained by both RFW and KISD. SLP will manage and finance all aspects of the remodeling and upgrading of these homes prior to their sale. The profits will be divided equally between the County of Marquette and SLP. Not only will the County of Marquette benefit from the profits of the sale of the homes but they will also realize an increase in the property tax base.

Both RFW and KISD have been successfully committed to the redevelopment of Sawyer from the beginning. RFW in 1995 and KISD in 1997. Millions of dollars have been invested by these parties in the redevelopment of Sawyer, which has made a great economic impact in the local area.

RFW and KISD realize the importance of rejuvenating the existing homes at Sawyer to make them appealing to buyers. This has created a wonderful effect on the appearance of Sawyer and a lot of excitement in the Upper Peninsula. Buyers are realizing that you can purchase quality, attractive homes, in quiet, clean neighborhoods at affordable prices at Sawyer due to the hard work and commitment given by these two companies. The reputation of pride, integrity and quality construction of these two companies will follow to SLP.

SLP gave examples based on what a typical duplex home preparation and sales transaction would look like based on the material estimates, labor costs and sales expenses. It is their intention to develop these buildings in a fashion that will add to the beauty of Sawyer and make them desirable units. The first step in this process is to determine how many of these units should be demolished and what level of financial support can be expected from the Air Force.

In closing, RFW and KISD do not profess to have all the answers to the development questions pertaining to Sawyer. However, they are willing to put their experience and financial resources to work in an effort to contribute to the growth and development of Southern Marquette County.

Sawyer Community Partners, LLC, was present and introduced their team. The group is composed of Ray Minervini, James Reardon, Rich Gruber, and Raymond Minervini II (The Minervini Group), Rob Richardson, V.P. & Partner, Industrial Realty Group, and private investors Lyle Berro and Bill Johnson of Escanaba. SCP presented the Commissioners with a slide presentation and explanation of their proposal including the following:

Project:

1. Non-Airport Layout Plan Properties: Buyer shall acquire fee simple ownership of all improved and unimproved property outside the Airport Layout Plan (ALP), including all infrastructure, buildings, utilities, personal property and equipment, easements, and rights-of-way. Seller shall make an assignment of all leases or sub-leases and of all rents and common area maintenance charges to the Buyer. The County shall retain ownership of the roads and, as such, shall retain maintenance responsibilities for upkeep.
2. Airport Layout Plan Properties: Sawyer Community Partners, LLC shall enter into a 99-year master lease of the Airport Layout Plan properties and shall assume all financial and managerial responsibilities, including operations, maintenance, and capital improvements of the ALP properties. The Marquette County Commission, as Lessor, shall make an assignment of all leases, subleases, rents, and common area maintenance charges to SCP LLC. In addition, SCP LLC is amenable to discussing its assumption of all financial and managerial responsibilities, including operations, maintenance and capital improvements, for the commercial and passenger airport business.

3. Residential: Buyer shall acquire fee simple ownership of approximately 600 residential units, including approximately 182 duplexes.

Development Strategy:

1. Exclusive Negotiating and Interim Management Agreements: Within 14 business days of the execution of this Letter Intent, the Parties shall enter into an Exclusive Negotiating Agreement. Within 90 days of the execution of this Letter of Intent, the Parties shall enter into an Interim Management Agreement.

2. Getting started with Anchor Projects: It is SCP LLC's intention to rapidly begin development of a number of significant, anchor projects within the first year of development of the Project.

3. Sunset of Caretaker and Fee Simple Acquisition of the Project: Non-Airport Properties – Airport Properties.

Acquisition Consideration and County Profit Participation:

1. Assumption of All Costs: No later than August 1, 2004, the date of the expiration of the federal Caretaker contract, but on a date determined during negotiations for the Interim Management Agreement, SCP LLC shall assume 100% of all private sector development costs associated with the ownership, development and build-out of the site. The County will retain financial responsibility for public roads and traditional municipal services like police and fire protection.

2. Profit Participation: The Marquette County Commission will be entitled to participate in profits received by SCP LLC as follows: After SCP LLC receives an unleveraged internal rate of return on an operating basis of 20% on all amounts invested or expended in the Project, then the Marquette County Commission will receive 10% of all profits realized in perpetuity. SCP LLC is amendable to negotiating a fixed, firm annual payment in lieu of profit participation, but is not currently capable of determining the amount of an annual payment.

3. Leasehold Improvements: Upon the expiration of the ALP lease, all leasehold improvements will be retained in place for the benefit and ownership of the Marquette County Commission.

Closing Costs:

Transfers of property interest in the base to SCP LLC will be exempt from documentary transfer taxes due on the transfer of the Project. Any title insurance premiums paid in connection with the transfer of the Project to SCP LLC shall be paid by SCP LLC. SCP LLC will pay the costs and expenses of its due diligence investigations. Such costs will be considered project costs for purposes of the Profit Participation. The Marquette County Commission will pay all of its costs and expenses in connection with the lease of the property.

Environmental:

The Marquette County Commission is to provide, from a mutually acceptable environmental firm or from the federal government, a Phase I environmental report, a complete asbestos study outlining the status of the asbestos and the potential removal costs, and any other environmental data pertaining to the Project.

It is assumed that appropriate environmental indemnities and clean-up obligations are to be received from the federal government and that the benefit of these indemnities and clean-up obligations will inure to the benefit of SCP LLC.
Acknowledgments:

Submission of these deal points are specifically conditioned upon: (i) The acknowledgment by both parties that this proposal is not a legally binding document and that material additional terms must be negotiated before a legally binding document is reached; and (ii) The preparation and execution of an Exclusive negotiating Agreement, an Interim Management Agreement, and a Purchase & Sale Agreement in a form mutually acceptable to Lessor and Lessee.

The Minervini Group strongly believes that their investment of capital and creativity will accelerate the work the County has done by bringing new vitality, energy, and uses to the project. Their focus is on bringing new life to old, or otherwise distressed or obsolete, real estate. Their commitment is to partner with Upper Peninsula residents to include the involvement of some of the U.P.'s well-known entrepreneurs. Working together in partnership with the County, the Minervini Group feels that they can leverage the existing housing units as a small component to a much larger, mixed-use development that will include dormitories, hospital, gymnasium, and vacant parcels.

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William Perry submitted a proposal by letter offering $1,244,000 or $2,000 per housing unit.

After a lengthy discussion and questions by Commissioners, it was the general consensus that the Committee needed more time to review the proposals submitted. Chairperson Corkin expressed concern as to the Mining Journal article regarding selling the Marquette County Airport. There has been no discussion among Commissioners to include the sale of the Airport in any proposals for the Development of Sawyer.

It was moved by Comm. Arsenault, seconded by Comm. Girard, and unanimously carried by voice vote that the Airport Runway and Airport Terminal Properties not be included in any negotiations regarding the Development of Sawyer Housing.

Chairperson Corkin thanked both groups for their presentations and explained the need for more time to review the proposals submitted.

It was moved by Comm. Nordeen, seconded by Comm. Moore and unanimously carried by voice vote that a Committee consisting of Steve Powers, County Administrator; Harley Andrews, Civil Counsel; Chairperson Corkin and Vice-Chairperson Arsenault, be appointed to further review and discuss negotiations with both Sawyer Community Partners (SCP) and SLP Development and report any information/recommendation to the March 26, 2002 Committee of the Whole Meeting.

Chairperson Corkin opened the meeting for public comment. None was forthcoming.

Respectfully submitted,

Connie M. Branam
Deputy County Clerk
MARQUETTE COUNTY BOARD OF COMMISSIONERS
COMMITTEE OF THE WHOLE
SPECIAL MEETING
Wednesday, March 6, 2002, 6:00 p.m.
Room 231, Henry A. Skewis Annex, Marquette, MI 49855

1. ROLL CALL.
2. APPROVAL OF THE MINUTES. (None).
3. PUBLIC COMMENT.
4. APPROVAL OF THE AGENDA.
5. Proposals for Development of Sawyer Housing.
6. PUBLIC COMMENT.
7. COMMISSIONER COMMENTS, STAFF COMMENTS AND ANNOUNCEMENTS.
8. ADJOURNMENT.