

**SPECIAL CITY COUNCIL MEETING**  
**September 7, 2016**

The Special City Council Meeting was called to order by Mayor Bronson in the Council Chambers at City Hall at 6:05 p.m.

**Roll Call:**

Present: Bronson, Temple, King and Riddle

Absent: Lavender, Couture and Kwiatkowski

City Manager Eustice stated this meeting is for a Public Hearing for the Infrastructure Capacity Enhancement (ICE) Grant, going on to state he needs to make two additions to the Agenda, which will be item 1a and 1b. After the Public Hearing is closed the Council needs to adopt two resolutions for this Application; 1a will be a Resolution designating him, as City Manager, as the Certifying Officer for Environmental Review and designating Jason Karmol, Director of Public Works, as the Environmental Review Officer; and 1b will be an Authorizing Resolution for the Part 2 Application of the Infrastructure Capacity Enhancement (ICE) Grant. These Resolutions will be part of the Application that will be submitted this week.

Councilman King moved to approve the Agenda with the additions of 1a and 1b, as stated; supported by Councilwoman Riddle. Motion carried unanimously.

**Public Hearing for Infrastructure Capacity Enhancement (ICE) Grant:**

Mayor Bronson opened the Public Hearing for the Infrastructure Capacity Enhancement (ICE) Grant.

Mayor Bronson inquired if this is the same project that we have been talking about for a while. City Manager Eustice replied yes. Mayor Bronson commented this project will go from Lake Street to however far there is money to spend. City Manager Eustice gave the Council the scope of the project, stating Part I of the Application has already been applied for, which was approved by Council. There is the possibility of receiving a grant of \$987,000.00 for water main and sewer replacement on N. Huron Street from Lake Street to Backus Street. Council has also approved to match that funding with 11% from the Water and Sewer Enterprise Accounts, which is a criteria for the grant funding. We potentially do have a very good chance of receiving a \$987,000.00 grant for this project. For the Part 2 Application that we are going to submit this week, which is what this Public Hearing is for, we need input from the public. We also have a determination from the State Historic Preservation Office (SHPO) as they were required to do a review to make sure that we are not interfering with any historic sites. Their determination was that we are not. Councilwoman Riddle referred to a letter asking if SHPO made the determination that we were not affecting any historical sites. City Manager Eustice replied exactly. Councilwoman Riddle then asked once we apply for the second portion of the Application when will we find out if we receive the grant? City Manager Eustice replied September 27, which is a quick turnaround.

Ms. Lisa Fought commented that not every community that applied for the Part I was invited to complete Part II. It is most likely as long as the City meets all the requirements in the Part II Application the funding will be awarded to the City by the end of the month. She noted the federal fiscal year starts October 1, so the awards need to be done by the end of the month. Councilwoman Riddle asked how everything is going to progress once the City receives the grant. City Manager

## Special City Council Meeting – September 7, 2016

Eustice replied things will progress relatively quickly once we receive the Grant, this project will be engineered and it is likely we will start on it in the spring. It has to be completed by December 31, 2017, so it will move very quickly once we are awarded the funding. Clerk/Treasurer Kwiatkowski asked the City Manager if there is a budget for this yet. City Manager Eustice replied yes, somewhat. We have preliminary engineering done and so forth. Councilwoman Riddle wanted to clarify that the project area is on Huron Street from Lake Street to Backus Street. City Manager replied yes, noting they were planning on doing this project anyway, which was part of a bigger project, to replace water and sewer down Huron Street in the City limits, which is more of a 3.5 million dollar project. The most money we can get out of the ICE Grant was 1 million dollars, so we cut the 3.5 million dollar project down to one-third to get this funding. The City was fortunate to get \$987,000.00 to basically provide one-third of this entire project. City Manager Eustice mentioned that the City was already preparing a USDA Loan to do the entire project, so that will free up nearly 1 million dollars for us to do other projects. Councilwoman Riddle asked if Huron Street is going to be like Main Street was when it was all torn up and traffic redirected. City Manager Eustice answered it could be, depending on where the utilities are. It is possible we could have one lane of traffic. DPW Director Karmol stated it will be restricted and even if they are out of the right-of-way, they need to restrict some traffic for safety; so even if the lane were to be open to be on a safe side they would place barricades because he does not like to work with his back to traffic without some kind of barricade (at least a vehicle or something). Councilwoman Riddle commented on being able to get to businesses, etc. Councilman Temple asked if the water and sewer they are planning on doing on Huron Street is part of the main trunkline that goes to the Plant. DPW Director Karmol replied it is one of the main trunklines for wells 4 and 5. Councilman Temple then asked if this is why we are doing this first. DPW Director Karmol replied yes, they are trying to start from the source and work out and get rid of the old main. They are also going to look at the 1978 sewer, as well. They want to fix the infrastructure underneath the street, the storm, sewer and water so when it is paved over we are not going to be the first one cutting into it. Councilwoman Riddle asked if there are going to be considerations taken because we have the Fire Station in close proximity to work that will be done on Huron Street, and we need to be able to maintain the fire protection. DPW Director Karmol stated he is concerned about this and also access to the Park at the beginning because Lake Street is kind of an intersection where all of that conjunction happens, but after we get by Lake Street we should be able to redirect traffic. DPW Director Karmol stated the Fire Station located on Backus Street should not be affected until we get near the end. He noted there will be difficulty accessing Fire Station 2 at least at the beginning of the project.

Mr. Richard Sangster introduced himself stated one of the things overlooked by the former director when the Main Street project was done was the new taps for code. Some of the businesses are suffering, as we did not go with ¾ inch to 1 inch taps like a lot of communities do. He asked if there are plans for any of the commercial taps to make sure they improve at that time. DPW Director Karmol replied all the taps are included in this project up to the curb stop. They will notify these people of our coming and allow them to redo theirs depending on their services. He does not want to demand that on their side they do it because they might have copper or something else. Mr. Sangster stated, again that was not an option offered last time and it created some issues. DPW Director Karmol commented he also asked about some mechanism because he has done projects similar to this and has been disappointed he had to hook up lead lines, so he has asked about the funding of those projects and found several sources he can use if he finds one and doesn't want to do that. Mr. Sangster stated he was just concerned because water delivery has been an issue at a few properties.

Mayor Bronson closed the Public Hearing.

**Special City Council Meeting – September 7, 2016**

**Resolution Designating a Certifying Officer for Environmental Review and an Environmental Review Officer:**

Mayor Bronson read the following Resolution designating a Certifying Officer for Environmental Review and an Environmental Review Officer.

**City of Cheboygan, Michigan**

**Resolution**

**Whereas**, the City of Cheboygan is applying for a Community Development Block Grant titled Infrastructure Capacity Enhancement (ICE) Grant; and

**Whereas**, the Community Development Block Grant Program administered by the Michigan Economic Development Corporation requires that a Certifying Office for Environmental Review be designated by the Unit of General Local Government; and

**Whereas**, the Community Development Block Grant Program administered by the Michigan Economic Development Corporation requires that an Environmental Review Officer be designated by the Unit of General Local Government; and

**Whereas**, Thomas E. Eustice, City Manager is hereby designated as Certifying Officer for Environmental Review required for the City of Cheboygan's Infrastructure Capacity Enhancement (ICE) Grant funded through the Community Development Block Grant Program; and

**Whereas**, Jason L. Karmol, Director of Public Works is hereby designated as Environmental Review Officer required for the City of Cheboygan's Infrastructure Capacity Enhancement (ICE) Grant funded through the Community Development Block Grant Program.

**Now, Therefore**, the Mayor and City Council of the City of Cheboygan hereby resolve to affirm the aforementioned element of this Resolution pursuant to the Infrastructure Capacity Enhancement (ICE) Grant.

Councilwoman Riddle moved to adopt the Resolution designating a Certifying Officer for Environmental Review and an Environmental Review Officer; supported by Councilman King. A roll call vote was taken; motion carried unanimously.

**Resolution for Community Development Infrastructure Capacity Enhancement Grant Authorizing Resolution Part 2 Application:**

City Manager Eustice commented this is the Resolution authorizing the Part 2 Application. Mayor Bronson read the following Resolution for Community Development Infrastructure Enhancement Grant Authorizing Resolution Part 2 Application:

**City of Cheboygan, Michigan**

**Community Development Infrastructure Capacity Enhancement**

**Grant Authorizing Resolution Part 2 Application**

**Whereas**, the City of Cheboygan is applying for a Michigan Community Development Block Grant (CDBG) titled Infrastructure Capacity Enhancement (ICE);

**Whereas**, the City of Cheboygan's proposed project is North Huron Street Water Main/Sanitary Sewer Replacement from Lake Street to Backus Street; Water Main is an 1894 cast iron main;

**Whereas**, the City of Cheboygan is requesting a grant not to exceed \$987,000 for the proposed project which the City of Cheboygan has approved an 11% cash match from the water and sewer enterprise accounts;

**Whereas**, the public infrastructure improvements are consistent with Land Use Master Plan and the approved City of Cheboygan Capital Improvement Plan;

**Whereas**, at least 51% of the beneficiaries of the proposed project will be low to moderate income persons;

**Whereas**, no project costs (CDBG or non-CDBG) will be incurred prior to a formal grant award, completion of the environmental review procedures and formal written authorization to incur costs has been provided by your CDBG Project Manager;

## Special City Council Meeting – September 7, 2016

**Whereas,** Thomas E Eustice, City Manager is authorized to submit the Michigan Community Development Block Grant (CDBG) titled Infrastructure Capacity Enhancement (ICE) application and associated documents on behalf of the City of Cheboygan;

**Whereas,** Thomas E Eustice, City Manager is authorized to sign the Part 2 Application and all attachments;

**Whereas,** Thomas E Eustice, City Manager is authorized to sign the Grant Agreement and all amendments;

**Whereas,** Thomas E Eustice, City Manager is authorized to sign the Grant Payment Requests;

**Now therefore, be it resolved,** the Mayor and City Council of the City of Cheboygan hereby affirm the aforementioned elements of this Resolution and approve the submission of a Michigan Community Development Block Grant (CDBG) titled Infrastructure Capacity Enhancement (ICE) Part 2 application and authorize Thomas E. Eustice, City Manager of the City of Cheboygan to sign Part 2 Application and all attachments, the Grant Agreement and all amendments, and all Grant Payment Requests.

Councilman King moved to adopt the Resolution for Community Development Infrastructure Capacity Enhancement Grant Authorizing Resolution Part 2 Application; supported by Councilman Temple. A roll call vote was taken; motion carried unanimously.

### **Public Comments:**

Mr. Richard Sangster stated there is a Port Commission meeting on Monday and reading the last Council minutes it was stated that: “City Manager Eustice stated that this is not a deal killer by any means, but thinks we need to have some discussion noting he has already discussed this at length with our Attorney Steve Joppich.” He asked for clarification that it’s not a deal killer that we are going to sell it for less or it’s not a deal killer for them buying for less. Again, this is just a comment and wouldn’t expect any action on it, but some direction for the Port Commission because the Commission stated and Council has also stated in here several times the concern of selling the property at less than value. Is it not a deal killer for them or for the City? Mayor Bronson stated he does not think price was ever an issue for them, but they agreed to a counter-offer. Mr. Sangster stated contingent upon a Port Operation Agreement, noting that was the whole point again as stated several times before even the City’s Attorney. He then read from a document dated April 4, 2016 as follows: “The certified appraisal concluded that the value of the property was \$750.00 per front foot regardless of depth.” Mr. Sangster then commented on throwing cash flow over valuable property, he thinks the City will really get into quite a quagmire, if you will, and will open a can of worms if you sell the property at less than appraised value with no Operating Agreement. Mayor Bronson stated this would be a question that he would have and hope we discuss it on Monday night that the path we took towards this Port Project was that we could sell property to people that we choose if we had set certain conditions. If there are no conditions or the conditions are unacceptable does that mean we have to then go and offer that property to open bid? Mr. Sangster stated the Ordinance states to that fact except for and unless there is consideration. That’s where the value gets into this. His concern is, now that we are getting there, noting he thinks the Clerk used the term “Russian roulette” playing with General Fund money and this is a project that everyone is talking about. We are only a couple years into this project and you, yourself, and the City Manager took money from the foundation of people that donated money to help to keep this going and thinks there is an understanding that this Port Project is still front and foremost. Mr. Sangster went on to state that Council will have something before them next week to consider the Main Street Program, which is a one year plus a five year or 6 year program to help maybe get some development of things, and would think that it would be fair, if they still intend to make a Port Management Agreement, because we have over 8 years into this project and only 3 three that we have owned it. He noted the City is

## Special City Council Meeting – September 7, 2016

currently collecting \$1,800.00 per month for the barge that is there now, so the City is getting made whole and owns an asset. There is no legacy cost of this property and there is no ongoing expenses. He does not think that at any time has the City taken any more brunt of a concern – they, as a Port Commission, has delivered this project all along as they said they have. Mr. Sangster stated he was wondering if there were any directions or feelings on that. He noted there is no requirement of Council to speak to this under Public Comment. Mayor Bronson commented he thinks the Council would want some direction from the Port Commission because there are those questions that he has that he just stated. Also, he thinks what the City Manager was addressing as not being a deal breaker is that they did not accept the Port Management Agreement as it was presented but they did not say they would not accept a Port Agreement. Mr. Sangster then read from a letter from Steve Joppich to Mr. Eustice that says: “Unfortunately based on a meeting with Kokosing, there does not appear to be any present willingness to agree to either of the above concepts in conjunction with its present desire to purchase parts of the property.” Mr. Sangster then stated all the way back in April the company made it clear they were not interested and wondered if at one point they got interested and now they are not even talking about a deal, wondering how long do we continue this work. Is the direction to pull the pin with the first buyer or to close ultimately with what they had worked on? Mayor Bronson stated in those minutes he asked a question because the indications and conversations they had with the local part of the entity have been supported. On the corporate side they are not. His question is do we need to deal with the corporate side. Mr. Sangster then stated that’s why he always felt in the beginning, with no offense to Mr. Eustice, we should have had a realtor and Mr. Heck died in the middle of all this. He went on to state using a realtor so we are not pitting one against the other, where there is a third party negotiating this deal. Because at the end, they feel we need to move this as fast as possible at all cost and does not think that has been the direction he has been sent on by Council. He was just hoping for a clearer understanding; he does not think that is the intent. The Mayor understands and has been on the Commission, but he has not had an opportunity to discuss it with the rest of Council. Mayor Bronson stated he feels there are some people that feel pressure to get this resolved and thinks it was a year ago June that they signed. City Manager Eustice stated the City purchased the property May 19, 2015. Mayor Bronson then commented we are not even a year and one-half into a five-year contract. Mr. Sangster stated he was hoping to have some more direction for Monday’s to take to the Port Commission. Mayor Bronson stated we are not seeing opposition to the price of the property, it’s the Port Agreement and without talking to corporate we aren’t really sure what their hesitation is. Mr. Sangster stated they are not even close to the \$750.00 appraised foot value. If it was coming down to sell to these two entities, unfortunately it would be pretty sad to see one of the former landowners losing his home – he could have closed this deal with this company years ago and done very fine for himself. But he believes in this Port Project and willing to take a short to do something with this. Mr. Sangster again stated he just wants to make sure that the Port Project as a whole is still on the foremost of the Council and if there needs to be more discussion with the Port Commission or Foundation coming back to Council with some direction they would be glad to do that because they are making some headway, but at the end of the day we still don’t have the agreement for their roadshow for their 501C(3), not-for-profit group. They are ready to take the show on the road, with plans for doctor recruitment and plans for Mackinac Island next year for a doctor convention, and hope to have a booth and are doing retail and are doing some other manufacturing things. This is a hinder of our whole roadshow when we go and do conventions, etc. to sell the City of Cheboygan and the region to people. There is a fine group of people on the Economic Development Group that are doing all this already and do not want this to go down again as one of those deals where Cheboygan can’t close a deal with outside people, because we haven’t been able to yet. Mayor Bronson asked if Mr. Sangster is saying that the deal doesn’t need to be made today, but we have time. Mr. Sangster replied he thinks there is still a lot of

## Special City Council Meeting – September 7, 2016

time in all this. He is just saying there are opportunities and thinks maybe we have failed to bring those to Council to see with a better picture or more detail. Sometimes we just assume that all of us here about those things, and it's dangerous to assume things. Mr. Sangster then stated this is his concern with this and knows there is concern of other members of the Economic Development Group that we continue to move forward with this project. He did not see it that way. He noted that Mayor Pro Tem Couture also had questions about the budget and where we are at, etc.

City Manager Eustice stated his comment about the deal breaker – when the City submitted the Purchase Agreement to Kokosing, and it took ten days before they responded, the Maritime Service Agreement that we presented and put in the Purchase Agreement, they did not like it. They basically said they do not want that type of Agreement. There are other options we can look at. Mr. Sangster stated the City Manager also states in the Council minutes that if we are not going to have one, then Ryba shouldn't have one either. He then stated this appears as if we are just going to move on, which will get rid of competitive ability. Mr. Sangster stated this is how it was taken by him. City Manager Eustice stated we shouldn't show favoritism to one company or another. If Kokosing is going to buy property without some type of Maritime Service Agreement, why should we have Ryba? Mr. Sangster stated someone needs an operation agreement, as that was the whole point so we have access to the water so there the potential to offload and on load services and goods.

Councilwoman Riddle asked if there is a revised Maritime Service Agreement in the process of being worked on. City Manager Eustice replied no. Mayor Bronson interjected that the Kokosing Corporation people were on vacation. City Manager Eustice stated they are back. Mr. Sangster stated maybe the Commission can do some more for that, and wants to be sure we still have that kind of time to get this moving along if that's the intent. He wondered if, after all the volunteer work these years, it is just going to move on. Mayor Bronson asked if Mr. Sangster meant sell property without an agreement. Mayor Sangster replied yes. Mayor Bronson stated he does not see that. City Manager Eustice stated that is not the case and it is not what Ryba and Kokosing want to do. Mr. Sangster stated he realizes that, but the minutes do not state that. Councilman Temple asked if we decided not to sell the properties to Kokosing because they didn't want to have a Maritime Agreement, there is probably nobody else out there that would buy it to do the same thing. Mr. Sangster replied to the contrary there are a couple members of the Commission that have had people, as the City Manager has, approach them in a business nature. They have just stood back because they know how adamant we are in getting this closed. We have never officially asked. When people approach him he can't make any promises as a Commission member. We have been approached by some people in manufacturing and different things. Councilman Temple then stated if Kokosing keeps dragging their feet maybe we ought to get a hold of these people. Mr. Sangster stated he just wants to make sure the questions are being asked and doesn't think it should go back and forth. He does not think the Council can give them any consideration for less than appraised value because they are giving away taxpayers' money. Mayor Bronson stated that is what he takes from the legal opinion. Councilwoman Riddle stated she agrees also, noting the reason for a lesser price being considered is because of the Maritime Agreement and the cooperation between the City and the business in terms of the Port. She then stated if it is not going to happen and there is not a Maritime Agreement in place, then no special pricing on the property. Mr. Sangster commented he just wanted Council to know where the Commission is coming from and is working very hard to bring Council back anything they need, and if at any time the Council wishes to have the Commission, the 501C(3) or the Foundation make a presentation they would be honored to do that. Councilwoman Riddle asked City Manager Eustice who would be the person or persons that need to be working on a revised Maritime Agreement, wondering if it is the attorney and the Corporate Office. City Manager

## Special City Council Meeting – September 7, 2016

Eustice stated to let him ask this question, why should we be, because the purchaser who wants to buy the property doesn't want one. Councilwoman Riddle asked, at all? City Manager Eustice replied no. Mr. Sangster stated this is exactly contrary to what we have been discussing from the very beginning because they probably think they can get it all for nothing. He then commented he is wondering during negotiations if someone is pitting them against the City. City Manager Eustice stated they would agree to something other than a Maritime Service Agreement, i.e. a Right of First Refusal for the City to buy back the property and/or any other industrial investor that is here to buy back the property should they disband or move. They are certainly willing to put that in a deed or purchase agreement. Councilwoman Riddle stated she thought the Council made a stipulation in one of their meetings that we wanted a Maritime Agreement attached to the purchase agreement for the sale of the property. This was a stipulation put into a motion by the Council. City Manager Eustice stated then that's fine, we are not selling it to Kokosing because they are not going to buy it. So we have a 767 foot river bank. This is Kokosing's position. Mr. Sangster stated that is a revenue generator and has the opportunity to generate revenue as income, as they are paying rent right now, right? City Manager Eustice replied yes. Mr. Sangster commented that City Manager Eustice stated way back when that this is just an asset when we were buying it, now it's a river bank. He is concerned about how we are moving this forward and the long term of what the City has at hand here. Councilwoman Riddle asked if Monday night is the Port Commission meeting at 6:00 p.m.? Mr. Sangster replied yes. Councilwoman Riddle stated at that meeting the information will come out that Kokosing is not interested in the property with the Maritime Agreement attached to it and we need to start seeing what other opportunities we have in moving the property. Mr. Sangster stated he thought it was the desire of this Council to come to the Port Commission for its information to maybe perhaps draft and come up with an opinion as to who should be working on a proposal or some form in that nature. If there is some form of a performance deadline for the Commission, within reason, he is not opposed to that. He thinks it needs to be ultimately a fair shot at this for the work and effort that everyone has put into it. Five months later here we are, with no chance of Kokosing buying without the Maritime Agreement. Councilman Temple stated we have to do something; we just can't sit and talk about it. Councilman King inquired as to the sale of the wetland property on the east side and how far out we are. City Manager Eustice stated the only option we have is the Little Traverse Conservancy. They have \$100,000.00. Mr. Sangster commented we have not offered it to anyone. City Manager Eustice replied true. Mr. Sangster further stated there could be people who love this area; but they are just afraid because the City has the inability to close any deals and they are concerned. Even in the County some of this stuff is happening. Councilman King stated we have closed one for the appraised value with an agreement in place that is already being approved, so we have done something. Mr. Sangster stated that is the objective before us, so let's try to hit the ball. He is asking if the Council desires to take this all the way in (football analogy). The Commission needs to know this. Councilman King stated not having a Maritime Service Agreement makes him uncomfortable because that was the intention of the property and that is why he was comfortable with selling it at the price we agreed to, to make sure we have that as a marketing arm. Mr. Sangster commented we suffered the biggest recession in 2008 since the depression; Commerce and the Federal Government will tell you we are in the slowest recovery in history. Things just aren't going to happen fast. It would be great if they did, but thinks we are doing pretty well and surviving and things are looking good, but there is still a lot of shaky time for a lot of people and they need to know some certainty. It is things like this of uncertainty where they are wondering how well we are going to be able to close the deal. Councilwoman Riddle stated there is also the concern with different businesses that we want to have come in and use the River and use the City as a Port, they want to be sure when they invest in our community that they are going to be able to use the facility. They don't want it taken out from under

**Special City Council Meeting – September 7, 2016**

them. Mr. Sangster stated Port Commission Vice-Chairperson Lorenz stated that pretty clear and very eloquently in his words. Councilwoman Riddle stated that is one of the reasons why we wanted to have the agreement in place as a protection for other businesses wanting to be able to use the Port. Mr. Sangster stated as a 501C(3) going out to sell that, their word is that it is going to be here. That is why we pushed those things, because we don't know. Mr. Sangster then thanked the Council. Councilman Temple stated we have to have an agreement anyway because the City could never afford to go ahead and do the Port itself. Mr. Sangster agreed, stating that has been his stand for the last ten years, even before he was on Council. City Manager Eustice stated that will be a good conversation for the Port Commission meeting, stating he thinks we can still have an operating Port using these two entities and thinks they are key to this whole project. Mr. Sangster stated he thinks they are, too, at this time, but we can't be misleading through this whole thing which is troubling to him. People are going to get nervous about change. He then mentioned the talk of another program that is going to rely on hours and five years of volunteer people. What's going to happen at the end and where's your track record and the leadership to get it done. We haven't been able to close a MSHDA deal (a less than stellar project) and this concerns him. Mr. Sangster then stated the Port Commission will meet and then will get back with Council, stating Council is more than welcome to come.

**Adjournment:**

Councilman Temple moved to adjourn the meeting at 6:49 p.m.; supported by Councilman King. Motion carried unanimously.

\_\_\_\_\_  
Mayor Mark C. Bronson

\_\_\_\_\_  
Clerk/Treasurer Kenneth J. Kwiatkowski

\_\_\_\_\_  
Councilman Joseph Lavender

\_\_\_\_\_  
Councilwoman Winifred L. Riddle

\_\_\_\_\_  
Councilman Vaughn Temple

\_\_\_\_\_  
Councilman Nathan H. King

\_\_\_\_\_  
Mayor Pro Tem Nicholas C. Couture

\_\_\_\_\_  
Councilwoman Betty A. Kwiatkowski