



City Council

Mayor: Chris Emerick
Mayor Pro-Tem: Sandy Szeliga
Council: Dan Elliott
Sean Duffy
Matt Hildebrand
City Clerk: Kathy Fiebig
Interim City Manager: Richard Lewis

City of Evart
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CITY OF EVART
SPECIAL COUNCIL MEETING AGENDA
Monday, October 11, 2021 @ 7:30PM
Community Room at the Depot, 200 S. Main Street

1. Pledge of Allegiance
2. Call to Order: 7:30PM
3. Roll Call
4. Citizens' Comments *-limited to 3-4 minutes per individual*
5. Approval of Agenda
6. Old Business
 - A. Potential sale of property in the Evart Industrial Park
7. Citizens' Comments – *limited to 3-4 minutes per individual*
8. Adjournment

AGENDA REPORT

To: Honorable Mayor Emerick & Council Members
From: Richard I. Lewis, Interim City Manager
Date: September 30, 2021, **Update October 5, 2021**
Re: Proposals to Purchase Industrial Park Property

For the Agenda of October 5, 2021

Background.

The City has received two proposals to purchase property at the Airport Industrial Park. Both proposals involve the purchase of Lot #2, and one involves the additional purchase of Lots #3, 4, 6, 7 and 8. Prior to addressing the proposals, the following background information regarding the parcels may be helpful.

- ❖ Attachment A contains the basic information and suggested sale price for the six lots as recommended by the Economic Development Committee (EDC) as of January 2021.
- ❖ Attachment B is the Appraisal Report cover letter, dated June 2020, for Lot #2. **The value for the parcel was appraised, at that time, at \$400,000.** A full copy of the report is available upon request. Given that the appraisal was conducted sixteen (16) months ago, on advice of the appraiser, we should consider a 3% inflation factor to the **price value, which would place the value at \$412,000.** We also have the City Assessor looking into an inflation factor which could be applied to the stated value. For Lots #3, 4, 6, 7, and 8, there is no known appraisal. **The City did close last week on a five (5) acre parcel (Lot #1) to Viso Clara for \$100,000 or \$20,000 per acre. This sale most likely would be used as a comparison in an appraisal.**
- ❖ Attachment C is the Lease Agreement between the City of Ewart and MacLellan Integrated Services Inc (MacLellan). The lease is currently a month-to-month lease and may be terminated by either party with 90-day notice. MacLellan is a subcontractor to Ventra and if either of the proposals are considered in moving forward, we will need to work with MacLellan in the transition which may take more than 90 days.

Proposals.

The first proposal, Attachment D, is from Birch Run Wellness Center LLC, Robb M. LaPeen , Principal Buyer and Utopian HeRxBs LLC, G. Steven Kalesperis, D.O., Secondary Buyer (Birch/Utopian). The proposal is an update to an earlier proposal submitted, Attachment E, and includes a prospective site plan.

Points of the proposal:

- ❖ Purchase of Lot #2 for \$417,750.
- ❖ Purchase of Lots #3, 4, 6, 7, & 8 for \$182,250. **The total acreage of these lots is estimated to be 24.29 acres, meaning the offer is \$7,503.09 per acre.**
- ❖ A six-month lease beginning once the current tenants have vacated. While the proposal has dates included, I have ~~indicated~~ **outlined** the general time periods; the first two months will be a 'rental grace period' meaning no rent. The last four months will be at \$5,000 per month and will be considered as a non-refundable 'Earnest Deposit' toward the purchase price.

- ❖ Closing on the balance of \$580,000 will take place on or before the end of the six-month lease period. \$280,000 will be paid directly to the City and the remainder to be carried by the City over a three (3) period at 5% per annum.
- ❖ Use of the property as described is primary medical cannabis but will also include recreational cannabis retail.

From our (Mayor Emerick and myself) meeting with Birch/Utopian, the following information was provided:

- ❖ Buildout of the project is expected to up to five years with a \$20-50 million investment.
- ❖ Expected to employ 300-400 employees.
- ❖ Dr. Steven Herrera (Denver) will be the Project Manager.
- ❖ Students will be 20 at any given time.
- ❖ All six properties will need to be acquired.

Also from our discussion, we requested bios for all three of the individuals mentioned above and will forward once received, **which was done October 3**. In addition, I indicated that I would not be willing to recommend the sale of Lot's #3, 4, 6, 7, & 8 unless an appraisal of those parcels is undertaken. Birch/Utopian will want to make a presentation at the meeting.

The second proposal, Attachment F, is from Red Sky Partners LLC (Robert Eklund, Partner). The proposal is for the purchase of Lot 2 only. Highlights:

- ❖ Purchase price of \$400,000 based on June 2020 appraisal.
- ❖ Closing shall take place on or before October 14, 2021. City Attorney indicates this isn't a problem **if this option is pursued**.
- ❖ Is willing to enter a three-year lease with the current tenant and had spoken to the representatives of Ventra in May, and MacLellan yesterday. **An email from Mr. Eklund dated October 1, indicated he has not spoken to any representative of Ventra.**
- ❖ Proposed use is investment only and is a 1031 Exchange.

There may be a third proposal from either Ventra and/or MacLellan. It is my understanding there had been conversations in the past to the possibility of either party purchasing Lot 2, but there has not been a proposal. On advice, Ventra was contacted yesterday morning of what is taking place. Since then, I have been in contact/conversation with both Ventra and MacLellan representatives.

Financial Impact.

Huge if the Birch/Utopian proposal is acceptable and development takes place as planned. There remains several unanswered questions and processes which will need to be worked through. Still positive if either of the proposals are accepted. Sale proceeds could be earmarked for specific improvements, i.e., Riverside Parks, **a bias recommendation on my part.**

Recommendations/Thoughts.

- ❖ First, think long term, **versus** not short term.
- ❖ Second, Council does not have to decide on Tuesday evening on either proposal. However, if there is no decision made, then it most likely the Red Sky Partners proposal will be off the table due to the time constraint.
- ❖ Third, an appraisal for Lots #3, 4, 6, 7, 8 should be undertaken. The purchase offer for lots in proposal may be a fair offer, but there is no basis other than the EDC suggested sale price to make that that determination. An appraisal could be completed by mid to late

November. Given the value of the per acre value of the sale of Lot #1 at \$20,000 per acre is known, this could be used as the proposed selling price of these five lots. If the EDC suggested sale price is the basis, then the City should considered making a counter offer for those parcels. Either way, further consideration is advised.

- ❖ Fourth, if the Birch/Utopian proposal is to be further pursued, the Council should direct staff to work on a Development Agreement, whereby the details are worked through. Know, this will not be a quick process, but a thought-out process.
- ❖ Fifth, the City will work with MacLellan on any transition that may occur.

We will be ready for the discussion on Tuesday.

AGENDA REPORT

To: Honorable Mayor Emerick & Council Members
From: Richard I. Lewis, Interim City Manager
Date: October 7, 2021
Re: Proposals to Purchase Industrial Park Property

For the Agenda of October 11, 2021, Special Meeting

Background.

At the October 5, 2021, Council Meeting, the Council heard and discussed proposals from Red Sky Partners, LLC and Birch Run Wellness Center/Utopian HeRxBs, LLC to purchase parcel(s) at the Airport Industrial Park. So not to overwhelm you with paper, only the update cover memo from that meeting is attached for background.

While no action was taken at the meeting, Mayor Emerick has called a Special Meeting for further consideration. Also, I have heard from Council Member Hildebrand as to alternative offer(s) for consideration, which will be a part of the discussion at the meeting on Monday.

Proposals.

I have been in contact with both of the parties above and they both remain interested.

Sky Partners, LLC (Robert Ecklund) will honor the \$415,000 verbal offer made at the October 5th Meeting and that has been verified via email. The only contingency: the closing must be accomplished by October 14th. Mr. Ecklund has also provided documentation regarding the financial resources to complete the transaction, which I find satisfactory. I spoke to City Attorney, Jim White yesterday afternoon and he confirmed that if the Council authorizes, the transaction can be completed by October 14. Mr. Ecklund has also provided what needs to take place for the purposes of closing which I will provide to the City Attorney under separate email. Regarding current lease with MacLellan, as I read it, it can be assigned, however, I will request the City Attorney to also confirm.

A counteroffer suggested by Council Member Hildebrand to give the Council time to consider any counteroffers and deliberation, was the retain the sale price of \$415,000 with the closing would take place on or about November 15th.

Birch Run Wellness Center/Utopian HeRxBs (Robb LaPeen/Steven Kalesperis). In discussion with Mr. Kalesperis this morning, I shared the opinion if was his/their expectations that all the activities related to their proposals would be completed by March 2023, it could not and would not be a part of a sale condition offered or agreed to by the City. It was suggested he check with the State as to the opportunity for an extension of the license and to let me know. Given the information on previous transactions of this nature by the City, I recommended he seek at least a year's extension.

A counteroffer suggested by Council Member Hildebrand (with some of my thoughts) for consideration and discussion:

The sale of Lot #2 at \$415,000 plus the sale of Lot #3 at the appraised value with no discount. Lots #6, #7, and #8 may be purchase, subject to future availability, as their development may require. The City would require one-fourth of the total sale price at the time of closing and would finance the balance over three (3) years at an interest rate not lower than three percent (3%) or higher than five percent (5%) with three (3) equal installments on the anniversary of the final sale date. It is understood by all parties, the development will go through the same process as similar industries within the Airport Industrial Park, i.e., Development Agreement, Planning Commission review of Site Plans, Special Use Permits, Licensing, and other requirements set forth in City statues.

Recommendations/Thoughts.

Again, the Council is not required to decide on Monday. Note, as additional information is learned or forthcoming, this memorandum will be updated. I will plan to be in attendance Monday evening.