

OFFICIAL PROCEEDINGS
KEWEENAW COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING
April 9, 2018

A special meeting of the Keweenaw County Board of Commissioners was held on April 9, 2018 at 6:00 p.m. at the Courthouse, Eagle River, MI and opened with the Pledge of Allegiance. This special meeting was called to discuss auctioning the Keweenaw Mountain Lodge to resolve the County's revenue bond debt.

Commissioners present: Sandy Gayk, Bob DeMarois, Don Piche, Jim Vivian, Del Rajala.

The special meeting was posted on the bulletin board and on the door of the Courthouse and on the County website on Friday, April 6, 2018 at 9:00 a.m.

Motion by Vivian supported by Rajala and unanimously carried to approve the agenda as presented.

Time was allowed for public comment. Tom Tikkanen of Superior Properties was present to share that he had a qualified client that just became aware of the property. The interested party was at the meeting and was willing to answer any questions.

Piche stated the following points:

- The board could decide tonight on whether to auction the Keweenaw Mountain Lodge (KML)
- The auction would take place at KML on July 26, 2018 at 10 a.m.
- The proposed auctioneer is Maas Companies of Rochester, MN who has had success with other auctions for USDA-Rural Development
- Agreements have been negotiated with Maas, USDA-Rural Development (RD) and Economic Development Administration (EDA) subject to approval by this board
- There will be no minimum bid required at the auction
- Bidders will bid on KML "as is" with no financing or other contingencies. A 10% cash deposit will be required on the day of auction with an additional 10% due within 48 hours
- Closing will be within 45 days. The winning bidder will be required to honor existing reservations through the end of the current season
- If KML sells at auction, all amounts owed to Maas except for a \$1,900 pre-auction fee will be paid at closing from sale proceeds; RD and EDA will share the proceeds; the unpaid balance of the RD revenue bond debt will be cancelled; the County's obligation to repay EDA grants will be satisfied. The County will also regain its grant eligibility status when the unpaid balances of the revenue bond loans are cancelled.
- As of now, the accrued principal and interest on the revenue bond debt is approximately \$2,276,000 and the amount of the grant provided by the EDA was \$1,754,000
- If KML does not sell at auction, in addition to the \$1,900 pre-auction fee, the County will be required to pay Maas a "no sale" fee of \$3,500 and up to \$33,765 in marketing and travel reimbursements, and the debt issues with RD will remain unresolved
- The winning bidder will be required to enter into a purchase agreement with the County following the auction. This purchase agreement will be available in a couple of weeks

The commissioners spoke throughout the meeting about how far the County has come in negotiating with RD and EDA to get to this point where there could be an auction with no minimum bid, where the revenue bond debt would be cancelled, the grants would be forgiven and where the County could be eligible for grants again. The County has worked for hours to get to this point and with agreements worked out, delaying a decision would not be wise. KML was listed with a realtor for six months and there were many failed attempts with potential buyers. At this time, the County needs to move on to the next stage which is the auction of KML.

The interest party wants to keep KML as a resort for the public and wants it to remain historic. She wants to give back to the community and wanted a few more days to allow her family to come and look at the facility and to have time for due diligence and then to present a cash offer. The interest party stated that her family is local, and they want the Lodge to continue in the spirit that it is. At an auction, the County would not be able to control how much KML would be sold for or who the successful bidder would be. She felt that she had best intentions and asked for the County to delay a decision on the auction until her team had some more time.

Motion by Rajala supported by Gayk and unanimously carried to move forward with the auction of the Keweenaw Mountain Lodge and to authorize Don Piche to sign the auction contract with Maas Companies.

Motion by Gayk supported by DeMarois and unanimously carried to approve the amendment letter between the County, the Economic Development Administration (EDA) and USDA Rural Development (RD) allowing the sale of the Keweenaw Mountain Lodge by public auction with sale proceeds to be divided by RD and EDA with negotiated fees deducted and that RD will cancel the remaining amounts due on three revenue bonds and that the County's obligation to repay the EDA grant will be satisfied after the sale proceeds are distributed.

Time was allowed for public comment.

There being no further business motion by Rajala to adjourn at 6:42 p.m. Meeting adjourned sine die.

Donald Piche, Chairman

Julie A. Carlson, Clerk