

The Village of Lexington Common Council held a Special Council Meeting Tuesday, August 17, 2021 in the Village Council Chambers, 7227 Huron Avenue, Lexington, MI 48450

Call to Order Regular Council Meeting at: 6:307 p.m. by President Kristen Kaatz

Pledge of Allegiance led by President Kristen Kaatz

Roll call taken by Clerk Beth Grohman

Present: Klaas, Muoio, Fulton, Jarosz, DeCoster, Kaatz

Absent: Adams

Others present: Tatman, Irwin, Brad Southern, UHY, Scott, Officer Morgan and 40 citizens

Public Comment - None

BUSINESS

ADMINISTRATION

A. UHY LLP MHP APPRAISAL – Brad Southern – Will present some of the items about the appraisal and going to highlight the interpretations of the things contained in the appraisal.

Understand the market value of this asset, this is a unique situation, since the Village is only municipality in the state to own a mobile home park. Bench mark the operation and performance of the park and how to enhance the park and the community.

Valuation date was 4/7/2021

Sales comparison approach is \$6,850,000, Income approach, \$6,700,000, Cost approach not developed, and concluded value is \$6,700,000.

Rents are at a reasonable rate compared to other sites in the area.

Lexington North Shores is at a 76% occupancy and compared to other parks is running efficiently.

Larry Adams entered meeting 6:49 p.m.

General Administration expenses \$150 per site including advertising and office costs. Payroll expenses include cost of office, maintenance, wages, payroll taxes, WC and employee insurance, this comes to \$400 per unit. Operating expenses includes utilities, maintenance and repairs. Utilities is \$630 per site and maintenance such as lawn mowing, tree removal, water/sewer line repairs, comes to \$200 per site. Total cost per site averages \$1896.00.

Real Estate Taxes are projected at \$57,987 (\$254 per unit)

Direct Capitalization – Base rental income for 228 sites at an average of \$375 is \$1,026,000 potential gross income is \$1,170,780 less vacancy of \$304,403, effective gross income is \$866,377. Operating expenses, come to \$432,362 leaves a net operating income of \$435,015.

Historical LNS Mobile Home Community Distribution. 2020, Land Use Fee \$207, 000 and fund transfers out \$46,000 Averaging \$251,000 pulled into the general fund.

Bond Debt as of 6/30/2020 is \$182,000

Potential portfolio return analysis – Fair market value \$6,700,000

Net Working Capital - \$500,000
Less Debt – (\$182,000)
Less Erosion Mitigation – (\$1,700,000) (\$2,800,00) or 0
Less Conversion Cost – (\$700,000)

Net Value \$4, 618,000 \$3,518,000 \$6,318,000

Portfolio Risk Tolernace could be from 3% to 7% . At 3%-5% low to medium risk, return would not cover the \$251,000 needed to pull into the general fund, but at high risk of 7% the return would cover the cost.

Kaatz – No weight given to the amount of liability. Limited by the state how we can spend money as a municipality. The Village cannot purchase mobiles and sell them in the park. Is part of the evaluation process the impact it has on the function of the village trying to run a municipal owned park.

Southern – Conclusion is it run rather efficiently compared to others.

Kaatz – The liability of the Village in terms of entire community if something happens in the park. How does that impact entire Village?

Southern – Understand, can only tell you that it is being run reasonably well and the \$251,000 would like rise if you the occupancy rises.

Kaatz – Potential law suits and embezzlement. Also asked about an outside management company

Southern – Approximately \$35,000 to run the park but does not shift the liability concerns.

Muoio- Asked about the tax income.

Southern - \$35,000 to \$60,000 paid in taxes.

Muoio – Asked about the process in determining the conversion factor

Southern – Highlighted that the number is now \$50. Have a brokerage commission to real estate and accountant and auditors, as a municipality will have interactions with other entities, you will spend money publishing. Cost to liquidating an asset could easily \$700,000.

Fulton- Is there one thing that the mobile home park is lacking strongly

Southern – Payroll and budget

Adams – What will the impact on the community if the park was sold? Also asked averaging 75% and others averaging 65% with it being on the lake shouldn't it be higher. Does the type of homes in the park have an impact on the occupancy?

Southern – Weighted average 75-76 occupancy. It doesn't mean you underperforming. There is a breakdown of occupancy cost whether it is single family modular or used mobile homes. There is a segment of the community most affordable option. Banks look differently at mobile homes because they can be moved in the park, they do not own the land.

Southern – Looked at the rental analysis of the various communities and determined that the \$375 is right in the game. Rental structural was in the realm and should not affect the community spending dollars. It is running efficiently. If it is was sold, not much would change if it stays and mobile home park community, personal property taxes may change.

Klaas- Look at regulations that are put on us as using municipality funds to purchase units. May have to look at running it better and increasing revenue like bringing in an outside source to purchase mobiles and bring them in and putting them up for sale. Projections were they based on 2020 or based inflationable rate projecting out in years.

Southern – Looked at the budget, recast operating performance, so 228 unit times \$375 comes to \$1,026, 000 in revenue, the current 76% occupancy took that down. If a third party ran it, came up with \$434,000 in bottom line profit. Present value that and that is the 7% return.

Kaatz- Asked about tuning the mobile home park into a cooperative? Is there calculations for that scenario?
Southern - No conversion for a cooperative analysis. It is an interesting concept.

Kaatz – Could that be a possibility?

Jaros- Asked for this appraisal we should listen to it and shouldn't argue with it.

The appraised value is \$6,700,000 manufactured home community, single family \$2,700,000 commercial \$2,950,000 and \$4,900,000 RV sites. Subject property consists of a 24.6790 acres sets there as it is. Over the property is well served as a manufactured community. Based on the analysis manufactured housed renders the highest residential land value. Demolition is not feasible as the existing improvements contributes value. The reason for the low occupancy is due to inefficient management, capital investment needed perception of the community in the market place and location. Estimate of actual rates, 137 lots at \$361,000 comes to a total of \$593,484.00 yearly, and 34 lots at \$549.00 is \$223,992 yearly, given a current annual revenue of \$817,476., lost revenue for empty lots is \$246,924 yearly, for a total of possible revenue of \$1,064,400. Not sure how the board could think about making this sellable. Can't guarantee \$817,000 that we now generate if we sell.

Muoio – Community rating and would like to know the process on the rating and how to improve that rating.

Southern – After a review of the amenities, the quality of the grounds, the structures. Not a negative thing.

Aesthetics of the structures could have an impact on the rating.

Adams- \$700,000 revenue and yet there is only \$251,000 that is put into our community.

Southern –The Village extracts on an average \$251,000 of the profit of the mobile home community, to support other community functions.

Jaros- Questions regarding management and the management fee of 4%.

Southern – You could bring in a management company that fee is approximately 4%.

DeCoster – Opinion given was that a mobile home park is the best use of the property and we are only 75% if the lots. We as trustees should come up with ideas on how to market the park.

PUBLIC COMMENT

Jeff Strong 5203 Main Lot 109 – Commented on other parks paying water bills, how much would the Village get with water meters, and if want to fill remaining spots, lower the rent and add a pool.

Bob Balan 5203 Main Lot 99 – Commented on selling mobiles in the park and getting a list of mobiles for sale

Joanne Adams 7311 Lake Street –Question regarding the \$251,000, and the \$60,000 bond.

Mark Jackson 5203 Main Lot 36- Commented on the 56 empty lots, and rumors about selling the park

David Zielinski 5203 Main Lot 25-Commented on the deed and restrictions on selling the park

Dan Fassel 5203 Main Lot 148 – Actually only 220 lots not 228

Gary Cola 5203 Main Lot 30 – Commented on the meeting and was constructive meeting. Concerns about clearing the bluff and move forward in a positive direction. Also commented on rumors of selling the park

Larry Tyson 5203 Main Lot 29 – Commented on reaching a goal and treat the park as an asset.

Steve Ureel – Port Huron- In the park business, question if the Village could recoup the \$251,000 would they consider selling.

Bev Sheppard 5203 Main Lot 91- Commented on the erosion and the beach loss because of the planting growing on the beach.

David Zielinski 5203 Main Lot 25 – Questions regarding federal money to help fix the bluff.

COUNCIL PERSONS COMMENTS

Jarosz – This is not the first time we have heard about the selling the park it is still here, enjoy your home. We asked for an appraisal and found out what we already knew the park is an asset. A lot money from the park helps fund our police fire etc.

Muoio – Agree with what Ed said but we also have about \$11 Million dollars' worth of projects that we have been working on we are not sitting around doing nothing.

Kaatz – Thank you for coming out tonight, value what the advisor said and it is great information and I hope you recognize it and participate.

ADJOURNMENT – Motion by Klaas, seconded by DeCoster, to adjourn the meeting 8:35 p.m.

Motion carried

Respectfully Submitted

Beth Grohman

Approved