MEMORANDUM – OFFICE OF THE VILLAGE MANAGER

TO: Northport Village Council

FROM: Jered Ottenwess, Village Manager/Zoning Administrator

DATE: May 1, 2026

RE: Agenda Summary

5a. 7th/High Street Parcel Concepts

Packet Items: 7th Street Rendering, 7th Street Rendering Detail, High Street Rendering

- **Housing Workshop Follow-Up**

The Housing Workshop was well attended, with participation from several Trustees. Influence Design Forum (IDF) completed the concept plans immediately prior to the meeting and they did not undergo multiple rounds of refinement. Nevertheless, general feedback was positive. Key themes include:

→ Residents along North Shore Drive oppose a second ingress/egress and prefer preservation of the existing tree line and limiting development along that frontage.

→ Several commenters supported the overall 7th Street concept but suggested alternative layouts, including rear-loaded access and units oriented toward shared open space.

→ A modular home manufacturer indicated that similar homes are being constructed in Leelanau County for approximately $225 per square foot. This cost assumption, if achievable, would significantly improve project feasibility and affordability.

→ Multiple attendees expressed support for the concept of a 6-unit multi-family building on High Street, despite initial surprise at the density.

→ Concerns were raised about the High Street roof design (snow/ice accumulation) and the potential cost of higher-end exterior materials such as wood siding.

- **Next Steps**

The Village is positioned to prepare and issue a Request for Proposals (RFP) to solicit a development partner. Prior to doing so, the Village Council should confirm several key policy decisions to guide the RFP and ensure that proposals are responsive and comparable.

Assumed Agreement

The following items are generally understood to have Council support and will form the baseline framework for the RFP:

- The concept plans as developed by IDF will serve as the baseline design expectations:
  - → High Street: 6-unit multi-family building
  - → 7th Street: 8-unit clustered residential development
  - → Elimination of Unit #9 and access from North Shore Drive
  - → Preservation of the wooded buffer along North Shore Drive
  - → The Village will assist the selected developer in obtaining approval of a Brownfield Redevelopment Plan (BRP), which will be used to fund park improvements on the northern ~4.7-acre parcel and offset eligible site preparation and infrastructure costs.
  - → The Village will support development through available tax incentives including Payment in Lieu of Taxes (PILOT) and/or Attainable Housing Facilities Exemption.
- The development will provide attainable housing generally defined as serving households at or below 120% of Area Median Income (AMI).
- Short-term rentals will not be permitted; this will be enforced through deed restrictions.

- The Village will require performance guarantees, including a performance bond or equivalent security and reverter provision if construction does not occur within an agreed timeframe.
- Development will be expected to proceed within a reasonable timeframe to be defined in the RFP.

Key Policy Decisions Required
The following items require direction from Council prior to issuance of an RFP:

1. Land Disposition
Issue: Whether and how the Village conveys the development property
Options:
A. Convey at nominal value
B. Sell at negotiated price less than market value
C. Sell at market value
Recommendation:
Convey at nominal price to maximize affordability and improve project feasibility.

2. Tenure Model
Issue: Rental vs. ownership structure
Options:
A. Entirely rental
B. Entirely ownership
C. Hybrid
Recommendation:
- High Street entirely rental
- 7th Street hybrid model

3. Affordability / Market Rate Mix
Issue: Balance between attainable and market-rate units
Options:
A. 100% attainable housing
B. Mixed-income development
Recommendation:
Allow a mix of attainable and market-rate units to support financial feasibility, particularly on 7th Street. The exact mix could be a key scoring criterion when selecting a proposal, i.e. higher percentage of affordable = higher score.

4. AMI Targeting
Issue: Income levels served by attainable units
Options:
A. Single threshold (≤120% AMI)
B. Tiered affordability (e.g., 80%, 100%, 120%)
Recommendation:
Adopt a tiered approach to serve a broader range of qualifying households, e.g. half at ≤120% and half at ≤80%.

5. Environmental Responsibility
Issue: Scope of environmental remediation
Options:

A. Cleanup limited to residential standards on-site
B. Expanded remediation beyond site requirements

Recommendation:
Require cleanup of on-site contamination to residential standards. The developer will complete environmental due diligence and remediation, with costs reimbursed through the BRP to the extent eligible.

6. Park Improvements
Issue: Scope and character of park development
Considerations:
- Trail alignment and surface type
- Seating, signage, and passive amenities
- Integration with the 7th Street development
- Preservation of natural features

Recommendation:
Require a trail loop connecting the 7th Street development and North Shore Drive, with supporting amenities such as seating and signage. Final design to be proposed by the developer and refined and approved by the Village through the approval process.

Summary Recommendation**:**
Based on the above, the following framework is recommended for inclusion in the RFP:
- The Village will donate the land.
- High Street development will be entirely rental and attainable, with a mix of units serving households at approximately ≤80% AMI and ≤120% AMI.
- 7th Street development will include a mix of rental and ownership units, with flexibility for the developer to determine the optimal configuration, provided that:
  → A meaningful portion of units are maintained as attainable housing
  → A mix of income levels is served
- Developer will be responsible for environmental due diligence and remediation of on-site contamination to residential standards.
- Developer will design and construct park improvements on the northern parcel including a trail loop, passive amenities such as seating and signage, and integration with the adjacent residential development and connection to North Shore Drive.

5c. Mill Pond Dam Millage
Packet Items: Memo Re Mill Pond Dam Voted Millage Legal Authority 5-1-26
Background: I encourage the Village Council to have a focused discussion on what I deem to be the most critical question to address the issue of whether the dam should be replaced or removed: funding. We know there are many outside funding opportunities that would assist with funding for removal of the dam. However, the only realistic funding mechanism available to the Village to *replace* the dam is a voted millage.

I have prepared a legal review of the Village's authority to levy such a millage, which is included with the packet materials.

Analysis:
Based on current planning-level cost assumptions, a 0.90 mill levy over 20 years provides a reasonable and defensible basis for a ballot proposal.

Millage Yield
Using the Village's current taxable value of $80,640,301, one mill generates approximately $80,640 annually. A 0.90 mill levy would therefore generate approximately $72,600 per year, $1,452,000 over 20 years, which aligns with the Village's current planning estimate of approximately $1.5 million for dam replacement in FY30-31.

Impact on Taxpayers
At 0.90 mills, the annual cost would be $90 per $100,000 of taxable value.

Examples:
- $100,000 taxable value → $90/year
- $150,000 taxable value → $135/year
- $200,000 taxable value → $180/year

Financing Approach
The Village would issue debt secured by the millage revenue to fund construction of the project in the near term, within the next 1-2 fiscal years. The annual millage proceeds would be used to repay the debt over the 20-year term of the voted millage.

Discussion:
Please let me know if you would like to proceed with placing a voted millage on the next available or a specific ballot.

5b. West Street Property Appraisal
Packet Items: West Street Property Appraisal
Background: The Village Council discussed and by consensus authorized obtaining an appraisal for five Village-owned lots comprising 1.16 acres on West Street. We have not had an opportunity to follow up on the results of the appraisal. The Village Council initially indicated an interest in exploring the possibility of selling the property.

Analysis: The appraisal estimates the market value of the five Village-owned lots on West Street at $260,000, based on a sales comparison approach using similar vacant land transactions in the Northport area. The appraiser concluded that residential development represents the highest and best use of the property under current zoning.

A key factor influencing value is the site's steep topography, which slopes upward significantly from West Street. The appraisal repeatedly identifies this condition as a limiting characteristic that reduces the property's utility and increases development costs. Comparable properties with level or more easily buildable terrain were adjusted downward—by approximately 28%—to reflect the subject site's inferior topography and the additional excavation, site work, and design considerations likely required for development.

Importantly, the appraised value is based on an extraordinary assumption that the property can be developed despite these constraints. The appraiser did not evaluate engineering feasibility or site development costs and explicitly notes that if the site proves to be cost-prohibitive or infeasible to build, the actual market value could be lower than the concluded value. No soil, geotechnical, or detailed site analysis was conducted as part of the appraisal.

The market data used in the analysis indicates stable demand for vacant land in the area, with relatively limited inventory and typical marketing times of six months or less when priced appropriately. However, the subject property's physical constraints may narrow the pool of potential buyers to those willing to undertake a more complex and potentially costly development process.

In summary, while the appraisal supports a market value of $260,000 under typical assumptions for residential development, the steep topography introduces uncertainty and risk that could materially affect both marketability and realized sale price. Further due diligence such as engineering or site feasibility analysis would provide greater clarity regarding development potential and help inform any decision to market or sell the property.

Discussion:
Please provide direction as to how you would like to proceed.

5d. Citizen of the Year
Packet Items: None
Background: The Village Council typically awards its Citizen of the Year award in May so that there is sufficient time to produce a plaque for presentation at the Fourth of July event. The Village also created a banner last year and we plan to continue doing that with past and future Citizens of the Year. Trustee Harper nominated Daniel Caudill recently, the only nomination formally brought forward by the Council.

Discussion:
Please let me know if you suggest any other nominations or if you support taking formal action on Daniel Caudill at the May Regular Meeting

5e. Fee Schedule
Packet Items: Fee Schedule
Background: The Village Council recently amended the Short-Term Rental Ordinance, which now references a registration fee that is not included with the Fee Schedule. I suggest that $200 is a reasonable fee that covers the Village's administrative cost. I base that figure on my personal experience administering the STR registration program over the past year. Staff receives many inquiries, updates and maintains an application form, tracks online listings, and manages a registration database of currently around 50 STR's, in addition to other miscellaneous tasks associated with STR registrations.

I suggest that the Village Council also consider reducing the Cannabis License annual fee. In the early days of recreational cannabis retail operations as a permitted use, when the Village first established a permit process, $5,000 reasonably covered administrative expenses, which were extensive. The administrative burden of the permit process is now negligible and I believe the fee should be reduced to a de minimus cost of $60, or approximately one hour of staff time.

Analysis:
The Village's current fee schedule reflects relatively low base fees for many zoning, utility, and operational activities. While some fees are generally consistent with smaller Michigan

municipalities, several are materially lower than comparable communities and may not fully recover the Village's actual costs of service.

A comparison with similarly situated Michigan municipalities (e.g., Elk Rapids, Frankfort, Pentwater, Suttons Bay, Bellaire) indicates that Northport's fees are particularly low in the areas of discretionary land use review, right-of-way and street use, and utility cost recovery. These are areas where costs are either variable, staff-intensive, or tied to market demand.

The table below summarizes key comparisons and potential adjustments:

Fee	Northport Current	Comparable Examples	Suggested Direction
Special Use Permit	$200 + $60/additional meeting	Frankfort $600; Pentwater $400; Bellaire $400; Elk Rapids $200 + $300 special meeting	Increase to $400–$600, or retain base fee with escrow for actual costs
Rezoning / Zoning Amendment	$500	Frankfort $1,500; Suttons Bay Village $1,000; Pentwater $400	Increase to $1,000
Commercial Site Plan Review	$200	Pentwater $250; Leland Twp $300; Lansing $900; Frankfort $150; Elk Rapids $110	Increase modestly to $300
PUD Review	$500 + $20/unit	Pentwater $500 + escrow; Frankfort $600 minimum	Maintain base fee but add professional review escrow
ZBA Variance	$500	Frankfort $600; Pentwater $400; Suttons Bay Twp $300	Increase to $600 (optional)
Street Closure	$50	Elk Rapids ~$350 + deposit	Increase to $150–$350
Use of Right-of-Way	$15	Elk Rapids $50; others higher with cost recovery	Increase to $50
DPW After-Hours Callout	$140–$150	Elk Rapids ~$220	Increase to $200–$225
Water Usage (per 1,000 gal)	$1.40	Elk Rapids ~$5.10; Frankfort ~$2.90	Evaluate in next rate study; currently low
Short-Term Rental Fee	Not established	Frankfort ~$500/year; Suttons Bay Twp ~$200/year	Establish at $200 annually

Northport's current fee schedule includes, for example, a $200 special use permit fee, $500 rezoning and variance fees, $50 street closure fee, $15 right-of-way use fee, and $5 daily launch ramp fee, among others. These amounts are generally on the low end of the range observed statewide.

In addition to base fee levels, a structural issue exists whereby the Village relies heavily on flat fees for activities that often generate variable and sometimes significant professional costs (planner, engineer, attorney, publication, and staff time). Many peer communities address this by combining a base application fee with a requirement that applicants reimburse actual review costs.

Northport's current structure does not consistently provide for this cost recovery, creating the potential for general fund subsidy of private development activity.

Overall, the data suggest that the Village is under-recovering costs in several areas and, in some cases, pricing access to public assets (e.g., marina, right-of-way, launch facilities) below market norms.

Recommendation:
I recommend that the Village Council direct staff to prepare an updated fee schedule incorporating the following:

1. *Adjust Key Fees to Market-Comparable Levels*
   - Increase discretionary land use fees (special use, rezoning, site plan review) to align more closely with peer communities.
   - Increase operational fees (street closures, right-of-way use, DPW callouts, launch ramp) to better reflect actual costs and market comps.
   - Establish a short-term rental registration fee consistent with administrative effort and enforcement needs.
2. *Implement Cost-Recovery Mechanisms for Development Review*
   - For applications involving site plans, rezonings, PUDs, plats, or other complex reviews, require applicants to reimburse the Village for actual professional review costs, including planning, engineering, legal, and publication expenses.
   - Retain a base application fee but supplement it with escrow-based cost recovery where appropriate.
3. *Evaluate Utility Rates Separately*
   - Defer changes to water and sewer usage rates to the next formal rate studies, but note that current rates appear low relative to peer communities and may warrant adjustment to ensure full cost recovery.
4. *Maintain Administrative Simplicity Where Appropriate*
   - Avoid overcomplicating minor permits (e.g., decks, accessory structures) where current fees are generally adequate and not a significant cost driver.

These changes will better align the Village's fee structure with actual service costs, reduce reliance on general fund subsidy for private development activity, and ensure that users of Village services and assets bear a proportionate share of associated costs.

Discussion:
If there is support for the amendments to the Fee Schedule that I have suggested, please let me know and we can schedule for formal action at the next Regular Meeting. Please also let me know if there are any additional changes you would like to make.

5f. Leelanau Community Energy Site Lease Agreement
Packet Items: Memo from Ross Hammersley Re Site Lease Agreement Issues - Leelanau Community Energy
Background:
In 2011, the Village entered into a Site Lease Agreement with Leelanau Community Energy, LLC (LCE) for the installation and operation of a wind turbine at the Wastewater Treatment Facility site. The Agreement required LCE to operate and maintain the turbine and associated facilities and to establish a fund for eventual removal and site restoration.

In December 2022, the turbine experienced a mechanical failure resulting in the loss of the blades. Since that time, the monopole structure has remained on site in a non-operational condition. The turbine has not been restored to service, and no replacement equipment has been installed.

Village legal counsel reviewed the Agreement and advised that LCE is in violation of its obligation to maintain the "Tenant Facilities" in good condition and repair. Counsel further advised that the Agreement provides a process for issuing a notice of default, providing a 30-day opportunity to cure, terminating the lease if the default is not cured, and requiring removal of the facilities and restoration of the site following termination.

Consistent with that advice, the Village provided the required notice and opportunity to cure. On March 10, 2026, staff met with representatives of LCE, who indicated they would submit a proposal to remove the monopole and potentially redevelop the site with solar panels. As of May 1, 2026, no proposal has been received. Staff has also confirmed that there are no funds available in the fund established for site reclamation or cleanup.

Analysis:
The Agreement places a clear and ongoing obligation on LCE to maintain and operate the turbine facilities. That obligation has not been met since the 2022 failure. The monopole remains in place, non-functional, and no steps have been taken by LCE to restore operations or remove the structure. Under the Agreement, once notice of default is issued, LCE is afforded a 30-day period to cure the violation. If the violation is not cured within that timeframe, the Village may terminate the lease. Following termination, LCE is responsible for removing the facilities and reasonably restoring the site within 30 days. If LCE fails to do so, the remaining equipment may be deemed abandoned to the Village.

The lack of available reclamation funds materially affects the Village's practical options. Although the Agreement contemplated a dedicated fund for removal and restoration, that funding source is not available. As a result, if LCE does not voluntarily remove the monopole and restore the site, the Village may need to either front the cost of removal or pursue cost recovery from LCE under the Agreement, including through enforcement of applicable indemnification and contractual obligations.

Based on staff's interactions and the lack of follow-through on the March 10 discussion, there is no indication that LCE has the capacity or intent to cure the default within a reasonable timeframe. The absence of a formal proposal further reinforces that conclusion. Continued delay prolongs the presence of a non-functional structure on a critical public facility site and increases uncertainty regarding removal costs, liability, and future use.

At this point, the Village has followed the procedural framework outlined by legal counsel and the Agreement. The remaining choice is whether to continue waiting for an uncertain proposal or proceed with termination and begin the process of reclaiming control of the site.

Recommendation:
I recommend that the Village Council direct staff to proceed with termination of the Site Lease Agreement with Leelanau Community Energy, LLC, based on the Tenant's failure to cure its default within the timeframe required under the Agreement.

Upon termination, staff should:

1. Provide formal notice requiring removal of the monopole and restoration of the site within the timeframe specified in the Agreement.
2. Obtain cost estimates for removal of the monopole and site restoration.
3. If LCE fails to remove the facilities within the required period, declare the remaining equipment abandoned as authorized under the Agreement.
4. Consult with legal counsel regarding cost recovery options, recognizing that no reclamation fund balance is available.
5. Return to Council with removal cost estimates and recommended next steps, unless immediate action is necessary for safety or liability reasons.

Termination will allow the Village to regain control of the site and move beyond a non-operational project that has remained unresolved since 2022. Because the reclamation fund is not available, Council should expect a separate follow-up decision regarding removal costs and any potential enforcement or recovery action against LCE.

Discussion:
If you support moving forward with lease termination, please advise and we can schedule for action.

5g. Work Session Meeting Time
Packet Items: None
Background:
The current Rules of Procedure (most recently updated February 19, 2026) state that the Work Session meeting time is 2 PM. Trustee Cavendish has requested that the Council reconsider that time. I will defer to her for a complete explanation.

7. CLOSED SESSION: Periodic Performance Evaluation of Village Manager
Recommended Motion:
"To enter into closed session pursuant to Section 8(a) of the Michigan Open Meetings Act, MCL 15.268(a), to consider the periodic performance evaluation of the Village Manager, at the request of the Village Manager for a closed hearing."