

Millianigan Special Meeting
May 18, 2013

Bill Francis, our President opened the meeting at 9:30 AM. Bill stated that a proof of notice was sent for this meeting. Bill did a roll call, absent were the following members, Ewing, Noveroske and Walters.

Standing Committee Reports:

Bill Francis asked to have the minutes for the Special Meeting of September 22, 2012 approved. A Motion was made, seconded and approved to accept the minutes for the Special Meeting of September 22, 2012.

Treasurer report, Dick Bruno stated that all members have paid the first quarter dues to date. He will not be at the meeting next week. Millianigan balances are as follows: checking \$754.97 and savings \$13,319.03. Dues yet for the year are \$8,800 and will have around \$23,000 for the year in saving. Taxes and other expenses will need to be paid yet. The May dues for the 2nd quarter of \$400 per member are due now. They must be paid before you can vote.

Business to be addressed:

All winter long Bill investigation into property tax exemption and principle residence exemption. He sent memos. Last fall, Dick and I went in to talk to the assessor Doug Brousseau because I had some questions to ask. Bill wanted Dick to be present. Doug basically stated; no the association could not be given a homestead. So I went back to Florida I did on line research. I came up with some laws in the state of Michigan that the association could be. So I sent the research back to Doug. He stated he had no idea as to the answer to your question is but I will forward it to Tim Schnell in the tax commission office of Michigan. Tim is the head person and should have the answer to everything. After several attempts to contact him, I got a hold of him. His responds was "he does not know a thing about our set-up." He is not familiar with everything; he cannot give me any answers. He stated you are a site condominium, he stated you are not what you say you are. Bill stated that we are organized under the state of Michigan. We do not fulfill the requirements of site condominium. Tim stated that is your problem. Tim referred me to PRE (property tax exemption). Bill called there, and could not get any one. Finally a clerk answered but had no answers. Bill then spoke to a Daniel Global. They had several communications back and forth. Daniel stated he was unsure of what your questions is please contact PRE. Bill stated he did contact PRE and they were not able to give an answer. Daniel put me in contact with Jeff Garcia. Jeff is a PT, property tax expert. There is no body higher that Jeff in the state of Michigan. They had several conversations and emails. He stated that if you can prove that you are a homeowner association then you can be homesteaded. We need to prove it. Bill received something back in writing from PTE (property tax exemption) of the state of Michigan. Bill thinks he sent this out to all members. Note: the email was dated March 12, 2013 Homestead and PTE. Bill stated that if you go down the list of eight items of who can get a homestead, PRE and or PTE. The number four on the list: A person who owns or is purchasing a dwell on leased land. That is us. Don't you own your dwell on leased land? Doesn't your tax bill say dwelling on

leased land? That qualifies Eddy, Dot, Dick and Bill S. if he becomes a resident it will qualify. Number seven on the list: A cooperative housing corporation, you can be given a homestead. This is where Jeff Garcia said if you can get a lawyer to write you a letter that you are a housing corporation, and then they will accept it. This is in writing for PTE. Then it will be a homestead. That brings up a question, what then happens to the rest of the property in Michigan law. I gave this to the assessor, Doug on Thursday, May 16, 2013 and Dick was with me. Doug immediately stated that I told you the last year no way. Then he started to quote some laws to me. I asked if he talked to Tim Schnell. He said no. Doug promised he was going to talk with this lawyer way back in September of 2012. But he never contacted the lawyer, Tim Schnell. I then presented Doug with the documentation I had. A homestead should include a portion of cooperatively owned housing and which a person is residing, if the corporative own housing is owned by either a non-profit origination or by cooperative origination in which more than 50% of the origination shares are owned by the occupants. We are non-profit and own 100% of the shares. When a homestead is located on leased land and is listed as personal property on the assessment roll, the Fredlake, Ghyselinch and Bruno are. There was some discussion as to 50 % ownership issue within the homestead, or are an intermit part of a larger unit of assessment such as a commercial industry, developmental residential, timber cut over or multi-personnel dwelling building, a tax on the homestead should be the same proportion of the total tax as proportion as the value of the homestead is to the total value of the assessed property. What that means is Eddie, Dot, Dick and Arlene will get a homestead on the property. Which they are not now getting and legally they should be getting. Doug stated that if we can prove it, that he gets a letter from the lawyer saying that you are Cooperative Housing Corporation, Then I will have to give these people homestead exception on the property tax. Example if the total property tax was \$15,000 then that means their property tax would get a \$400 exception off their taxes. That is if all were charged \$1000. This is an example; this means they would pay only \$600 each all of the rest of us will pay \$1000. Each year the assessor would need to know who qualifies by the individuals themselves for this Corporation. Here is the kicker, a homestead should include all of the adjacent and continuance occupied real property not classified for ad born property tax purposes. Which means all the adjacent land around them that they have ownership in is part of the homestead. This is way we will need a legal opinion on. That is the question they would not answer me. Bill talked with at least eight different people at the state level. These included three lawyers and none would give me the answer. If you own a share of something how can you partition it, because that share is one fifteen (1/15) of infinite? You do not own a particular strip of property. Bill asked this question, if I own a share of the property whether real or other what portion of that can I partition? Bill made an example, if Peggy and Greg owned a big building in Chicago and I own one share and I want to partition that building, I can't. I don't like it I can only sell my share of stock. The question is what direction do you want to go? Do you want to get a legal opinion on whether we are a corporation or not and homestead it? As it stands by law, you will have to have the agreement of 100% in order to partition. Michigan no longer uses homestead, we have three people that have PRE (personnel resident exemption). We have two people that have property tax exemptions. Mark McCullough asked how you value the share for your portion of the property. Bill stated that the corporation owns the property. Mark stated that you own one share, how that

share gets its value. Bill said whatever someone is willing to pay. Dave Denler stated the appraised value is what he means? Discussion occurred on this issue and whether we could or could not get a homestead. The assessor said all we need is a letter from the lawyer, a written statement. Greg Wilson stated what do we have to lose in researching this other than the lawyer's fee? Further discussion occurred. Dick then stated that the assessor stated that he needs a letter from any attorney that we qualify for the exemption. Bill stated it is that simple, at the end of the letter from PTE, they suggest that you can consult an attorney to determine if met the requirements. In Michigan homestead is absolute. There is no way you can partition Eddie's house. There is no way to partition Dot's in Michigan it is absolute. The only thing that will stop a partition is a homestead. You cannot take someone principle residence away from them. There is case law on this. Bill gave an example; the house that Eddie and Bob live in now was homesteaded by Jim and Marty Fredlake. It is still under the homestead with the county per Dick Bruno. If Bob decides (Eddie lived his dad and still living in that house) he wanted to sell his portion of the house. Eddie said no I want the house, it cannot be partitioned. Eddie must agree to sell. Bill then stated again if we get this letter the whole property will become exempt. This will help the tax bills. You are ignoring the fact that to be PRE a Cooperative Housing Corporation can be a PRE. This is the property only; we are not contesting the houses. If you live here full time you will get the PRE on the house. June asked the question; does anyone want to make a motion for us to see an attorney to address this issue so everyone will get the saving. Discussion again went to property tax and income tax. Bill stated the property has a value according to the tax assessor, of \$620,000. This is the taxable value. If you want the market value divide it by fifteen. The \$620,000 is one half (1/2) the assessed value. Mark M. stated the value would then be \$1.2 million for the whole property then 1/15 per share. Market value could vary. This should be considered in real estate appraisals. The dwelling should be considered along with the property. Bill stated that right now we are at \$2400 a running foot (channel property). On our tax bill we have 502 feet of frontage. The property next to us on the north is at \$4000 per running foot because they are sitting directly on the lake. Dick made a statement that if we qualify for the homestead the tax saving would be around \$4600 per year. The question is it worth spending a few hundred bucks to see if anything materializes. Dick reemphasis what Bill said before that Doug simple said bring me a letter from an attorney and you qualify? You will be the first and I will not contest it. Mark M. stated that if we all were to hold hand and sell this piece of property and jump off the cliff together, collectively houses and land and everything let's make an example \$3 million and 1 /15 of that, when someone leave here why aren't they getting part of this per share? Again Mark M. is asking how you value the share. Greg Wilson stated that you are just trying to get an answer on one thing. Mark Stroud stated that in this situation of homestead the lawyer will be taking the fall since the higher ups will not make the move. Mark made a motion to acquire an attorney to valid or give his opinion for Millianigan to homestead. This motion was withdrawn. Mark re-stated the motion, to acquire lawyer to give opinion for Millianigan is a homeowner association. The motion was seconded. There was discussion on this motion. Mark S. withdrew the motion. Lee Francis made a motion to seek an attorney to valid our status that Millianigan is a homeowner association. The motion was seconded and approved. The cost of the attorney will be paid by Millianigan. Next item of business was the petition to partition. Dave

Denler stated this is on hold until the outcome of the homestead is addressed. Dave stated no one forwarded anything on this matter. Bill stated that if we are denied the homestead this would give us more ammunition for a partition. The next item of business is the capping of state equalized value for first generation inheritance. Bill referred to the article from the Riparian Vol.48 No.2 page 14 Keeping the Family Cottage. The Pubic Act 497 of 2012 signed into law in December of 2012, which will take effect on December 31 2013. Dick stated that everyone should be getting the Riparian. Bill stated basically that first generation people can inherit your share without it being uncapped. This would mean that they will pay the same taxes. That means your children and grandchildren then it goes into infinite with would be in-laws if you want to go that far. The house bill 497 deals with trusts and trust are individual because everybody's trusts are not the same. Bill stated that in a trust if your children are beneficiary then it will uncap. If your house is in a trust and the children are co-trustees then it will stay capped. Example was given that Lee and Bill are trustee of each other trust. Our children are co-trustees, if something would happen to Bill, his daughter Kim would automatically become a trustee. This way nothing would uncap. But if the children were beneficiaries the estate would uncap. If you have a trust you will need an addendum to your trust before the end of the year. Without a trust the estate automatically passes per the Pubic Act 497.

Motion was made to close the meeting, seconded and approved.

Respectfully,
Millianigan Secretary
June A Stroud