



Memorandum

To: Mayor Farmer and City Council Members

From: 
Edward B. Koryzno Jr., City Manager

Date: October 12, 2006

Subject: Water Street Project Timeline

Prior to November 7, 2006 city council needs to approve four documents: approving the Brownfield Plan, amending the preferred developer agreement, approving the Single Business Tax application and approving the Developer Agreement with J. Freed and Associates. The Brownfield Plan and Preferred Developer agreement amendment have been approved and the remaining tasks are pending. The purpose of the memorandum is to provide City Council with information and dates about pending actions related to implementing the Water Street project.

October 17, 2006: Request for Council to approve a Single Business Tax (SBT) application

I will ask council to approve an application for Single Business Tax Credits at the October 17, 2006 meeting. Tax credits are issued by the Michigan Economic Growth Authority (MEGA) Board based upon the level private of investment in the project. We anticipate the investment by Freed will be \$100 million. Our application will be on the MEGA Board agenda for November 2006, and we will apply for \$9.5 million of credits. The State's maximum allocation of SBT credits has been reached this year. If our application is approved, MEGA will issue a pledge for tax credits in 2007. Historically MEGA has always honored their pledge. One of the reasons the SBT Credits are so important for the city is because this provides additional funds to pay for bond shortfalls or unexpected environmental costs. Our environmental consultants have given us their best guess as to what to expect, but we will not know until we begin to turn dirt.

The MEGA Board will also consider our Brownfield Plan and Tax Increment Financing plans to capture school taxes. Pursuant to statutory requirements the Brownfield Plan is expected to be approved at the County BRA meeting of October 18 and receive preliminary approval from the County's Ways & Means Committee on October 18. The County Board is expected to approve the plan at their November 1, 2006 meeting. The plan will then be submitted to the MEGA Board, as part of our SBT application.

November 7, 2006: Request to approve Development Agreement w/ J. Freed and Associates:

I anticipate asking city council to approve the Developer Agreement with Freed at your November 7, 2006 meeting. This agreement will have to be approved and submitted in advance of the MEGA Board meeting.

The agreement will contain a number of contingencies because the city's financing for the project is dependant upon the MEGA Board approval and then implementation by the State. My intent is to highlight several of the more important issues, however most of the issues contained in the document will be resolved between now and November 7. There is a very real possibility that the Brownfield Plan may not

be approved until early in 2007, even if the MEGA Board approves it in November. This may mean we cannot begin environmental testing and demolition until then and Freed is reluctant to move ahead full speed until they have assurances the city has adequate funding to begin cleanup and demolition of the property.

We are attempting to negotiate an agreement which provides that after MEGA Board approval of the Brownfield Plan, Freed will begin the site plan and Planned Unit Development (PUD) approval process. This will take three months at a minimum and should be completed after we receive both Brownfield and SBT Credit approval; however it is imperative that Freed begin this process. I believe the acceptance of title by Freed should be resolved. The State Historic Preservation Office's (SHPO) oversight of the project has not been resolved although we recently received positive news that their involvement maybe limited. This is a major concern for Freed. The preliminary development plan, detailed phasing plan, preliminary site plan, elevations, massing should be resolved in the development agreement along with the PUD submission.

I want to ensure that council is aware that in order to keep this project moving ahead we will have to incur additional debt. The Brownfield Plan council approved proposes the city will sell bonds to finance eligible clean-up activities and these will be paid for through TIF collections. The sale of Bonds for construction of water, sanitary sewer and streets is anticipated as well. The water and sewer debt would be retired through utility rates and offset by connection fees from the new development. Street debt could be paid for by issuing bonds and further reduced by obtaining MDOT grants. We anticipated these utility debt costs when we were dealing with Biltmore, so this is not unexpected.

Clearly it is very important for Freed to secure a commercial "anchor" for Michigan Avenue. This business must contribute financially to the project and also act as a catalyst to draw additional commercial businesses to the project. Freed has requested that we allow them to develop sites along Michigan Avenue in advance of the PUD agreement being submitted. This request is predicated upon their desire to have Walgreen's on the corner of Park and Michigan Avenue. As you may know Walgreen's is also pursuing a location at the corner of Prospect and Michigan.

The financing of this project is very complicated and difficult to comprehend. I have attached several sheets that show all the financing alternatives the city has received to date and what we anticipate we will receive in the near future. This should help you understand what we have received in grants, loans, what debt we have incurred and what we anticipate spending.

Please contact me if you should have any questions.

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WATER STREET FINANCES

October 12, 2006

Financing (Previously Expended)

Grants:

Brownfield PILOT Demo Program (a)	\$ 200,000
MDEQ Clean Michigan Initiative (b)	\$ 3,728,000
MDEQ CDBG (c)	\$ 1,050,000

Loans:

MDEQ CDBG (c)	\$ 2,000,000
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Bonds:

Capital Improvement Bonds TIF (d)	\$13,100,000
Bond Financing and Interest (e)	\$17,758,616
Bond Refinancing Costs TIF (f)	\$ 2,640,000

Cash:

City Land Revolving Fund (g)	\$ 600,000
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SUB TOTAL \$41,076,616

- (a) PILOT Grant from the EPA for environmental investigation and conducted market analysis and concept plan in 1999.
- (b) Funds used for land acquisition (36 properties/25 different property owners) and related costs.
- (c) CDBG grant/loan which was used for administrative expenses, residential and business tenant relocation, business relocation, design/engineering, environmental studies and legal fees.
- (d) Bonds sold during 2003 & 2004 for land acquisition and related costs, demolition, environmental and geotechnical remediation and property management.
- (e) Amount of interest to be paid for all of the bonds sold.
- (f) Bond debt refinancing and restructuring necessary because of project delays.
- (g) Funds used for land acquisition and related costs.

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Financing (Pending)

Grants:

MDEQ Waterfront Redevelopment (h)	\$ 500,000
Washtenaw County Parks and Recreation (i)	\$ 150,000
SE Michigan Community Foundation (j)	\$ 100,000
Washtenaw County Revolving Loan Fund Sub Grant (k) **	\$ 120,000
City of Ypsilanti CDBG Revolving Loan fund (l)	\$ 94,000
MEDC Core Communities (m)	\$ 163,500

Loans:

MDEQ Clean Michigan Initiative (n)	\$ 500,000
Washtenaw County Revolving Loan Fund (k) **	\$ 933,200

Bonds:

Brownfield Infrastructure TIF (o)	\$ 1,986,800
Brownfield Remediation TIF (p)	\$ 3,716,120
Brownfield Demolition TIF (q)	\$ 511,800
Brownfield Site Preparation TIF (r)	\$ 1,260,290
Bond financing costs for TIF (s)	\$13,175,753
Water/Sewer Installation (t)	\$ TBD
Street Construction (u)	\$ TBD

Other:

Single Business Tax Credits (v)	\$ 9,553,579
Brownfield Administrative and Operating costs TIF (w)	\$ 1,129,640
Local Site Remediation Revolving Fund TIF (x)	\$ 1,505,430

SUB TOTAL \$35,400,112

- (h) Grant will be used for BEA due care activities; remedial action, demolition as part of response activity and infrastructure improvement pursuant to PA 451.
- (i) Funding for riverfront greenway development.
- (j) Funding for riverfront greenway development.
- (k) Environmental Protection Agency grant/loan obtained through Washtenaw County for use in cleanup activities, due care activities, contamination removal, remediation and/or capping. The loan is payable in 10 years with 0% interest.
- (l) Funds for administrative and legal expenses.
- (m) Funds for construction for new public riverfront park
- (n) Loan for preparation of the environmental work plan, geotechnical, site preparation and remedial action/due care activities.

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- (o) Infrastructure, engineering and oversight costs contained in Brownfield Redevelopment Plan approved on 10/3/06.
- (p) BEA activities, Act 381 Work Plan, Due Care Obligation compliance, Additional Response Activities, Contingencies and State Act 381 Review contained in Brownfield Redevelopment Plan approved on 10/3/06.
- (q) Demolition costs included in the Brownfield Redevelopment Plan approved on 10/3/06.
- (r) Site preparation activities and contingencies included in the Brownfield Redevelopment Plan approved on 10/3/06
- (s) Debt Issuance/Capitalized interest and Financing costs for approved activities included in the Brownfield Redevelopment Plan approved on 10/3/06.
- (t) Water & Sanitary Sewer main installation funded by the sale of bonds and repaid through rates.
- (u) Construction of streets funded through bond sales.
- (v) Funds paid to the city from the State based upon Freed's investment and completion of pre-approved phases of the project. The city will use these funds to pay anticipated bond shortfalls. These funds are a financial support in the nature of a transferable and assignable tax credit
- (w) Brownfield Redevelopment Authority administrative and operating costs included in Brownfield Redevelopment Plan approved 10/3/06.
- (x) Washtenaw County Local Site Remediation Revolving Fund contribution included in Brownfield Redevelopment Plan approved 10/3/06.

** applied but not awarded to date