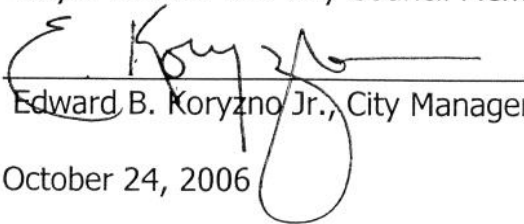




Memorandum

To: Mayor Farmer and City Council Members

From: 
Edward B. Koryzno Jr., City Manager

Date: October 24, 2006

Subject: Water Street Project Update

I previously informed City Council that, as part of the Water Street project, we would apply to the Michigan Economic Growth Authority (MEGA) for Single Business Tax Credits in time for its November 2006, meeting. I have discovered we will not be able to meet the requirements for the November MEGA Board meeting and we will instead apply for the December MEGA Board agenda.

Originally, I had understood that to apply to the MEGA Board for Single Business Tax Credits, we had to provide three items: an SBT application, a Brownfield Plan and a Development Agreement. Subsequently, we discovered our Act 381 Work Plan, which provides details about how we will implement the Brownfield Plan, had to be submitted, as well. This plan is under development and is expected to be ready in about ten days.

The delay from November until December should not impact the City substantially because the SBT credit allocation for this year has been reached. The MEGA Board, if our application is approved, will issue the City a pledge for credits which will not be available until early 2007. Additionally, implementation of the Brownfield Plan should not be impacted by the delay from November to December. Negotiation of the development agreement continues and the opportunity of additional time to negotiate an agreement is beneficial to all parties.

Freed has reviewed the City's initial proposed development agreement and has expressed concerns about several items. They are concerned about the housing market in Michigan and desire a maximum amount of flexibility in building product lines that will sell. They are also reluctant to make upfront cash payment for the property or to commit to a minimum level of investment in the property. The City's goal for this project is to continue making our debt payments and building a quality project of which the community will be proud. Our attorneys and staff are examining alternatives where their concerns and ours may be resolved.

I will present a Development Agreement for your consideration on November 15 and anticipate you will approve it at the November 21, 2006, council meeting. Please contact me if you should have any questions regarding this matter.