



REQUEST FOR LEGISLATION
April 20, 2006

FROM: Edward B. Koryzno Jr., City Manager

SUBJECT: Preferred Developer Agreement Water Street Project/ Water Street Bond Restructuring

Background:

After the negotiations to develop the Water Street project ended with Biltmore, City staff issued a Request for Proposals in 2005 to identify another development company to undertake the planning, purchase, site preparation, and redevelopment of the Water Street Redevelopment area. The City did not receive any responses to that request and it was evident no developers desired to participate in such a process. Since that time, a committee comprised of County Planning staff, the City's real estate counsel and I have been working to identify a developer to negotiate a development agreement for the Water Street project.

This committee solicited letters of interest in the project from developers. Discussions with developers revealed a refusal to undertake the necessary project due diligence to negotiate a development agreement until the company was selected as the preferred developer. After consideration of their experience, discussion of their approach to the project, and with the advice of the committee, I am recommending that the City council approve the selection of Joseph Freed & Associates ("Freed") as the preferred developer for the Water Street Area.

This selection, through the attached resolution, will instruct me to negotiate a preferred developer agreement which will provide a period of due diligence in which the City will negotiate exclusively with Freed toward the purpose of a definitive development agreement. The agreement will commit the City of Ypsilanti to negotiate with Freed solely, and in good faith, toward the execution of a development agreement to govern all aspects of the property sale, redevelopment, and investment regarding the Water Street Redevelopment Area. The proposed agreement will incorporate appropriate milestones to ensure that adequate progress is being made toward a final development agreement, and that failure to meet such milestones shall be grounds for termination of negotiations with Freed without penalty to the City.

Freed has communicated an interest in this project, while being frank about the challenges associated with it. The company brings a wealth of experience from Michigan and other markets to bring solutions to this project. Freed has experience in a variety of commercial and residential types, which will provide flexibility as this project develops.

To be clear, this selection is not to execute a sale and development agreement for the project, as there will be many components to such negotiations. Nonetheless, it is my belief, with the

advice of the advisory committee, that the City should commence negotiations with Joseph Freed & Associates.

Additionally I am recommending that City Council consider approval of restructuring the existing bond indebtedness for the Water Street project. The first interest payment that would require general fund contribution is due in November of 2006. It was anticipated that tax revenue from the construction of buildings would be used to make the debt payments. Since no construction has taken place, no tax revenues are available to make the payments. Bond Counsel has recommended that we restructure the bonds and use capitalized interest to make payments until 2009. This will provide time to negotiate a development agreement, allow construction to occur and avoid using general fund monies for debt payments. Additionally, the DDA will be asked to approve a bond resolution affirming their support and use of TIF funds to make these debt payments. Mr. Dennis Neiman, our Bond Counsel, will be present at the April 25, 2006 meeting.

Recommendation: That the City Council approves 1) the resolution directing the City Manager to negotiate an agreement with Joseph Freed and Associates which identifies them as the preferred developer for the Water Street Redevelopment Project and 2) the resolution approving the restructuring of the existing Water Street bonds.

Attachments:

Resolution: Selection of Joseph Freed & Associates as the Preferred Developer for the Water Street Project

Resolution: Authorizing the restructuring of bond payments

Council Agenda Date: April 25, 2006

Council Agenda Item No. _____

City Manager Approval: _____

City Manager Comments:

Finance Director Approval: _____