

PRESS & GUIDE

Ward's plans moving forward

Oakwood could formalize proposal with vote Feb. 14

By Sean Delaney, Press & Guide Newspapers

January 30, 2008



Photo by Millard Berry

Mayor Jack O'Reilly stands on the debris filled mezzanine of the closed Montgomery Ward store Jan. 24 — the same spot he sat as Santa Claus for seasonal work when he was in high school.

DEARBORN - A meeting between Oakwood Health System and Midwest Health Corp. on Feb. 14 could have serious ramifications on the city's plans to redevelop the old Montgomery Ward property on Michigan and Schaefer.

The city purchased the property for \$3.35 million in 2005 and selected REDICO as its preferred developer last year. The Real Estate Development and Investment Company (REDICO) has proposed replacing the vacant Montgomery Ward building with a new, 130,000 square foot mixed-use medical facility with 20,000 square feet of retail space, a 500-space parking deck and 100-120 senior apartments.

Midwest Health was identified by REDICO as the primary tenant of the new facility last year, but the company is currently in the process of brokering a deal that would allow its interests and assets to be acquired by Oakwood.

"Basically, Oakwood is going to acquire all those assets and relocate them to the site," said Dearborn Mayor Jack O'Reilly. "Oakwood would become the new, principal tenant."

The merger would allow Oakwood to build an ambulatory care facility with diagnostic services on site, O'Reilly said. The project would relocate about 300 existing jobs from East Dearborn's downtown district and add another 200+ new jobs for a total of 514 employees.

"Given the market and what's going on with the economy right now, this is a very exciting project because it would give a face lift to the East Dearborn Business District," O'Reilly said.

The district has struggled to re-invent itself in recent years, O'Reilly said, and has succeeded in several areas. In 1998, the Kroger Company expanded its downtown grocery store into a full service super market, while the Arab American National Museum, which opened in 2005, attracts more than 30,000 visitors annually.

"The question we have to ask ourselves is does this project generate the kind of activity that's going to sustain or add to the business district," O'Reilly said. "I think the proposal we've brought forward now is a good one."

The project represents a \$71 million investment in the city of Dearborn, O'Reilly said. That's \$37 million in private construction, \$9 million in private dollar (tax capture from the private investment) in the parking deck, and \$25 million in personal property.

"I think as people look at what we're doing here, they might be more willing to invest in our city," O'Reilly said.

But the success of the project now depends on whether Oakwood Health System and Midwest Health Group can reach an agreement. If both parties were unable to come to terms, the project would likely be re-bid, O'Reilly said.

REDICO has until March to submit its final proposal, O'Reilly said, which must be reviewed and approved by a majority of the Dearborn City Council. The council agreed last month to allow the preferred developer an additional 90 days to complete its negotiations with Midwest Health and Oakwood.

"It's taken this long to get to this point because REDICO's original bid did not include Oakwood," O'Reilly said.

According to city officials, REDICO initially proposed building a new headquarters for an undisclosed corporation on the Montgomery Ward site, but it declined to reveal the identity of its corporate partner until June 2007, when it named Midwest Health as its primary tenant.

The news upset some city officials, who were anticipating the arrival of a major corporate entity that could bring new jobs, new employees and new sources of revenue to the area, as opposed to relocating jobs.

"I would have loved to see a major corporation move there, and that's what was originally presented to us," O'Reilly said. "But I think there's certainly opportunity here."

In addition to creating new jobs and additional revenue, O'Reilly said project provides the city with an opportunity to keep a local business in the area.

Since that time, the medical center has evolved from originally being the headquarters for Midwest Health System to a partnership where Oakwood health System will be the primary tenant, with Midwest serving as a sub-tenant to Oakwood.

"If someone says the plan has greatly changed, it's not changed greatly at all — it's substantially the same plan with the modifications saving us a lot of money on the deck, and American House instead of condominiums," O'Reilly said. "We know American House is much more likely to be successful in this market than condominiums."

Between 100 and 120 senior living units will be constructed, O'Reilly said, with plans ranging from \$1,000 to \$1,200 per month (including meals).

REDICO will also own the building, O'Reilly said, which means the whole property is taxable. The developer also agreed to pay \$3.35 million for the property, which is what the city originally paid when it purchased the property in 2005.

According to O'Reilly, the purchase price was agreed upon following several years of negotiation with the Chazzi Partnership, the group that purchased the property from a private investor for \$1.8 million in August 2002.

The city rejected several proposals for the property, O'Reilly said, including the construction of a minor league ballpark.

"We examined it and determined that it was too high risk for us in terms of not generating enough revenue beyond the baseball season," he said.

Other proposals included the converting the upper level of the building into a large banquet facility with meeting rooms and retail on the first floor, or utilizing the interior space to hold restaurant supplies.

Those proposals were ultimately rejected, O'Reilly said, and the once-popular shopping destination has remained vacant ever since.

"I have as much affection for that building as anyone...it's become a part of the fabric of our city over the years," said O'Reilly, who dressed up as Santa Claus when he worked at the store during his teen years.

But an emotional attachment doesn't always make sense financially, O'Reilly said, adding the city had explored the possibility of preserving the existing structure as a historical landmark.

"The problem is...it would be too great a cost to use to preserve the facility," he said. Preserving the building would require the city to provide a 25 percent grant, as well as 25 percent of the total cost, O'Reilly said.

"That's something we have to weigh, and in these times, it doesn't make sense. I don't believe it's something we can manage reasonably."

While many residents will be sad to see the historic structure go, O'Reilly said some will be able to take comfort in the fact that paid parking will not be an issue at the new facility.

"There will be no paid parking," he said. "I want to make that perfectly clear."