

# PRESS & GUIDE

## New building to replace Wards

Council OKs on a 4-2 vote, Thomas absent

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*By Jason Carmel Davis, Press & Guide Newspapers*

DEARBORN - The site that for years housed Montgomery Ward at Michigan Avenue and Schaefer Road, until its closing in 2001, will have life breathed back into it following approval of a redevelopment plan by the Dearborn City Council.

The 4-2 approval didn't come without controversy, though, as Council President Tom Tafelski and Councilman George Darany cast the two dissenting votes. Councilman Doug Thomas did not attend Monday's meeting.

Both Tafelski and Darany said they believe the project, which calls for a medical office building, retail/office space and a 95-unit senior living facility, is a solid project — just not for that particular site.

"I think we need to have something there that will drive people to the district like entertainment or something that can be utilized year-round," Darany said.

"I know REDICO (Holding, LLC, the group overseeing the project) has done excellent things and Oakwood (the primary tenant of the site) has been around 50 years and isn't going anywhere.

"I just want to make sure we do what's in the best interest of the people in this area."

Councilmember Susan Sareini said the project is market driven and added that the city needs to get that land back on its tax roll. She also said she hopes the project brings stability to the East End of Dearborn.

Site to feature medical office building

The project will feature a 160,000 square-foot medical office building (which should be occupied by an Oakwood Healthcare System facility) with comprehensive services and state-of-the-art facilities, said Ken Till, vice president of REDICO. Till added there is room for the possibility of expanding by 26,000 square feet in the future.

On the first floor of the facility will be 22,000 square feet of retail/office space with tenants such as a coffee shop, restaurant, bookstore, pharmacy and optical store.

The development will also have a 500 to 625-space parking deck, which the city will provide space for. The size of the deck, which will cost between \$9 million and \$12 million to construct, will be finalized based on zoning and project requirements and TIF/Brownfield capture affordability. If those funds don't cover the cost, Dearborn Mayor Jack O'Reilly said, a Special Assessment District (SAD) will be created to cover the cost of the lot.

Tafelski said he feels the developer should be responsible for covering those costs if a shortfall occurs, and that problems could arise since the lot will not feature paid parking.

O'Reilly said part of the agreement for the Ward's redevelopment was that it could not have a paid-parking lot.

Tafelski also said he believes the city rushed into this project, believing there was a small window of time it had to take a bid on the site. But O'Reilly said the city chose REDICO's proposal over three others because it was the best and had the greatest return on the investment.

"At first, we were told it was 500 jobs from Toledo and Flint, but it's not," Tafelski said. "The city of Dearborn didn't need to buy the parcel of land if people were just moving from 5050 Schaefer. I want development there, I just want the right project."

In total, the project will cost about \$70 million, Till said, adding that design will play a major role in the completion of the project.

Till said he hopes to acquire some additional property located near the site for National Pharmacies. Questions also arose at the meeting regarding the possible need for a walkway to be constructed to make it easier on patrons to navigate the property, to which Till said the parking lot would provide patrons with plenty of access to the area.

Till said March 5 during a council study session that he anticipates a 16-month construction schedule for the project, with tenants Oakwood Hospital and Midwestern Health moving in late next year.

Joe Fazio, a principal real estate developer with Miller Canfield, said demolition of the property would cost about \$600,000 and be funded through a Brownfield recapture.

American House, a chain of independent senior living facilities, retail and a parking structure will also be housed on the site, Till said. About 95 one- and two-bedroom units will be available.

The council's vote finalized the agreement with REDICO. Till said his group is negotiating leasing terms with tenants and showed council members Letters of Interest from American House, whose units cost \$2,200-\$2,400 per month and include medical services, and Fifth Third Bank.

Oakwood awaiting completion of documents

John Keuten, president of Oakwood operations, said his group's board of trustees reviewed REDICO's proposal and Oakwood attorneys are currently reviewing those documents.

He said he hopes to have the forms signed in the next 30 days and will have them turned into REDICO by the Sept. 1 closing date.

Partie's responsibilities made clear

City administration and REDICO — the company overseeing the project — have negotiated a developmental agreement where they city of Dearborn would be responsible for the demolition and remediation of the site, bonding (over 20 years) for the financing of a parking deck, and support of the developers plan to capture tax revenues through the State of Michigan Brownfield and Tax Credit programs.

"The city is making a major investment with this project," Councilmember Robert Abraham said. "What people need to understand, though, is we're putting about \$10 million into this job," he said. "But let's not forget, REDICO is putting in \$60 million. Hopefully, TIF recapture can pay for the parking deck. If not, the developer will pick up the shortfall."

After that 20 years, the city will enter into a lease agreement with REDICO, where the developer will pay \$1/year for the deck for the next 30 years.

Any additional funding garnered through the project will go to the East Dearborn Downtown Development Authority, O'Reilly said.

"We've been working behind the scenes looking at the project and we think it's a good project," said Michael Bewick, chair of the East Dearborn Downtown Development Authority.

"Hopefully, it brings some life into the area."

REDICO's responsibilities include payment to the city of \$3.35 million, the city's asking price, for the purchase of the land, construction of all four proposed buildings by June 30, 2010, and a commitment by the Oakwood Health System and Midwest Health to lease the medical office building. Ongoing operation and maintenance of the site buildings and parking deck will be provided by the developer, as will any coverage of any shortfalls on the annual parking deck bond payment.

Project completion goal: late 2009

The project schedule includes a two-step process where remaining design and approvals, bond financing analysis and the existing buildings demolition occur between Monday, and the closing date of Sept. 1. A closing agreement will be signed by all parties involved by July 1.

During the predevelopment period between Monday and July 1, the city may walk away from the project if any due diligence issues become irresolvable, according to a document issued to the City Council from the city's Economic & Community Development and Law departments.

During the closing agreement period between July 1 and Sept. 1, in the event REDICO becomes in default, the city can call for termination of the project and retention of the deposit.

If problems surface during the construction period — Sept. 1 through June 30, 2010 — disposition of bond proceeds based on construction acceptability, specific performance and damages are the city's outs on the project.

Following closing, the project moves into the construction phase with a goal of tenant occupation of the medical office building by late 2009. The proposed development agreement requires REDICO to put the cost of demolition, \$600,000, according to Joe Fazio, a principal real estate developer with Miller Canfield, in escrow as a deposit at the time the closing agreement is executed. The deposit would be applied as a credit to the purchase price if the closing takes place as scheduled. If the closing does not take place, through no fault of the city, the deposit would be forfeited.

#### Additional project provision

The city will authorize a bifurcated demolition contract where asbestos removal will begin prior to the execution of the closing agreement. Demolition of the structure will not begin until after the closing agreement is executed.

The city may return the deposit to REDICO if the closing does not take place and the city enters into a new agreement with a different developer.

The city may hire the same contractor — The Dailey Company — to build the parking deck that REDICO has already selected through its own competitive process.

The city will enter a construction management agreement with REDICO for a fee of 4.75 percent of the parking deck contract cost in order to coordinate construction activities on the site.

The developer will have complete responsibility to maintain and operate the parking deck until the bonds are repaid. After the bonds are repaid, the developer will purchase the deck. The purchase price for the deck will be the cost of construction, minus depreciation based on building cost company Marshall & Swift tables. The developer will also receive a credit toward the purchase price of its actual costs to maintain and operate the deck during the bond repayment period.

#### Do what's best for Dearborn

Although Tafelski has some qualms with the project, he said he hopes it's a success.

Councilmember Mark Shooshanian said making the project a success will take a collaborative effort.

"No matter what, we're all going to have to work together on this," he said.