

Water Street Redevelopment Project  
Annual Report  
May 2008-December 2009

**2008-2009 Action Plan for Water Street**

On May 8, 2008 City Council passed a seven point action plan for the Water Street Redevelopment Project. Below is a summary of the project from May 2008-December 2009:

**1. Amend Master Plan to support phased development of individual parcels without overall concept plan. Complete.**

The Planning Department worked with the Planning Commission and the Washtenaw County Planning Department to adjust the Master Plan for Water Street to reflect the City's new direction. The new direction was to move from a focused development plan for the entire property into a parceling off pieces of the property for smaller developments. Ultimately the City of Ypsilanti became the Master Developer of Water Street and in order to achieve this ability the master plan needed to be amended.

A public hearing was held on Wednesday, June 18, 2008 at 7:30pm in the Council Chambers to initiate the discussion on the proposed direction. The overall comments at this public hearing were positive and with the support of the Planning Commission and City Council, staff amended the Master Plan to include a phased development of individual parcels.

*On September 17, 2008 the Planning Commission adopted the changes and this action item was completed.*

\*See attachment A for amendments.

**2. Develop, adopt and implement new zoning district for approval by right. Incomplete.**

City Council was presented with and asked to consider the first reading of amendments to the Zoning Ordinance for Water Street. These amendments were to maintain the option of using Planned Unit Development for developers who wish to use it, or who are interested in larger portions of the site, while providing a clear procedure to streamline the process for smaller developers. After many discussions with Council some changes were made and were

presented at June 16, 2009 City Council meeting for approval. However, City Council struggled with these changes as there were concerns that changing the zoning may cause some developers to lose interest if they don't meet the new zoning requirements.

At this time the changes were never adopted and this issue remains outstanding and will be an action item to address in 2010.

- 3. Explore further the option to secure Washtenaw County Brownfield Redevelopment Authority Revolving Loan Funds to pay for demolition and clean-up costs of approximately \$650,000-\$750,000. Complete.**

The City of Ypsilanti (with assistance of Washtenaw County) prepared and submitted applications on November 14, 2008 for grant funding from the Environmental Protection Agency for Brownfield clean-up funding for remaining environmental contamination in the Water Street redevelopment project area. On May 7, 2009 the City received notification that three grants were awarded for a total of \$600,000. This money will be used to remediate some of the remaining contamination on the site, including the demolition of buildings located atop contaminated soil. Sites specified for the grant are located at 38, 34 and 40 East Michigan and 14 S. River Street and the RIM building. The City of Ypsilanti was also approved for a \$250,000 from the Washtenaw County Neighborhood Stabilization Program to demolish the remaining buildings.

In total the City has received \$850,000 for demolition and remediation. Staff is hoping that the buildings will be leveled by the end of the 2010 calendar year.

- 4. Explore further the option to demolish/clean-up of properties along Michigan Avenue (staff will make final recommendations based on thorough research of environmental issues and safety). Complete.**

This action item remained incomplete as of December 31, 2009. However the recent demolition bids came in low enough that all the buildings will be razed utilizing the grant money we received and no alternative sources of funding will be required.

- 5. Aggressive marketing of the property at the Brownfield's Conference, signage on the property, removal of the fence. Complete.**

The Brownfield's Conference was held in May 2008, city staff, along with the Washtenaw County staff, prepared a marketing booth for the Water Street

Property. Staff was able to connect with multiple developers regarding the property.

C.B. Richard Ellis placed two "For Sale" signs on the Water Street Property in July 2008 and the fence was removed the week of August 4, 2008.

**6. Direct staff to develop and recommend criteria for vetting proposals with final criteria approval by City Council. Complete.**

City Council and staff met multiple times to discuss potential vetting procedures for determining which viable proposals would come before City Council. However, it was determined that due to the importance of development on this site, Council felt it would be in the City's best interest to bring every proposal to Council and let them decide on the viability.

**7. Direct staff to recommend a firm to develop a marketing study and possible brokerage of the property. Complete.**

On March 28, 2008 a Request for Proposals was issued for Real Estate Services. The proposals were due on April 24, 2008. The City of Ypsilanti received one proposal by C.B. Richard Ellis. The proposal's intent was to secure an expert in the area of commercial real estate to assist in marketing and sale of the Water Street Property. While the City received one proposal it was thorough and professional. In order to continue the momentum of Water Street and to put forth the maximum effort to begin development it was imperative to seek marketing advice from a commercial broker. On June 3, 2008 City Council approved retaining C.B. Richard Ellis as the broker for the Water Street Redevelopment site. A kick-off meeting was held on June 17, 2008 and a marketing study was conducted.

Since hiring CBRE the City has entertained a much higher level of interest in the property. Multiple letters of intent were brought to the table. Unfortunately, no formal purchase agreements were signed by the end of 2009, primarily due to the lack of available financing.

**Miscellaneous accomplishments**

**State Historic Preservation Offices:** The Water Street Redevelopment Project has utilized a variety of funding sources at various stages in the project. The use of federal funds brings a series of requirements with it, including review for possible disturbance of historical or archeological resource.

When the City of Ypsilanti first used federal CDBG funds on the site, the State Historic Preservation Office determined that the work would disturb historic resources, including demolition of buildings in the historic district. A Memorandum of Agreement was signed between the City and the State Historic Preservation Office to address this disturbance. This MOA expired, and staff has been working with SHPO on a new agreement to reflect the current status of the project. Specifically, the original MOA assumed a single developer (Biltmore) and a particular development concept.

While the original MOA required much more involvement from SHPO, including design review of future construction and archeological monitoring of site work, they have concluded that there has been such a drastic change within the scope of our project from when we first started that these requirements are no longer applicable.

The City's requirements under the current draft MOA are limited to the preparation and installation of an interpretive piece related to the history of the site. City staff and Councilmember Nickels have had initial conversations with the Automotive Heritage Museum and Motor Cities National Heritage Area to fulfill this requirement.

SHPO has respectfully requested that we still take into consideration the historic nature of our project as well as the fact that the Water Street Redevelopment Project is in an area of high archaeological sensitivity. Staff is currently working with some archaeologists to ensure proper monitoring occurs when disturbing the soil.

City Council signed a new MOU with SHPO on January 12, 2010.

\*See Attachment B for the Memo of Understanding.

**Vacation of Plats:** The Water Street Project Area was previously made up of property that was contained within three different Plats. A Plat is a parcel of land that has been formerly divided into smaller parcels. Most subdivisions are plats. In order to redevelop the property, particularly in order have the ability to move roads, the City was required to vacate the plats. The City Attorney's office filed the necessary litigation to vacate the plats, and obtained a consensus of all defendants for a settlement. In order to satisfy the State's requirements of the Land Division Act, we were required to obtain surveys of the plat that were to be vacated, and prepare an amended plat. This work has been completed, and the plats vacated. The City attorney is seeking an order from the court that will confirm we have satisfied our obligations.

**Infrastructure:** City Staff has discussions with multiple developers regarding the purchase of parcels in the Water Street Redevelopment Property. One of the issues continuing is the question of providing infrastructure on the property. Previously, we had focused on one large developer buying the property, and in that instance designing and building infrastructure as part of their overall project. However, the City has since taken over as the developer and is selling the property in smaller pieces in an effort to develop the property. Each individual purchaser, in this case, needs to know the location of roads and utilities, which requires the City provide an infrastructure plan, and, eventually, coordinate and pay for infrastructure construction.

Joe Fazio, our real estate attorney for Water Street, and our brokers at C.B. Richard Ellis, indicated the lack of an infrastructure plan was delaying the purchase agreement process for the developers involved. On March 24, 2009 Council authorized staff to proceed with seeking quotes from engineering firms to create an infrastructure plan for the Water Street Redevelopment Project.

The City of Ypsilanti has retained Orchard, Hiltz & McCliment, Inc to provide a basic infrastructure plan for the site. They provided a summary report of costs and two drawings that show two different options for that Council considered. Both plans are flexible in nature – they provide a general framework to demonstrate street and utility access through the site, but can and will be modified depending on the needs of the ultimate developers.

On July 21, 2009 City Council adopted this framework plan in order to provide clarity and some general direction for developers interested in the property. The intent is to provide a plan; final designs and construction will not occur until the property sells and funding becomes available. City Council's approval of this concept allows staff to use this infrastructure plan as a guideline for current and potential developers.

\*See Attachment C for the full plan.

**Border to Border Trail:** The City of Ypsilanti is currently working with Washtenaw County to improve and expand the Border-to-Border Trail through Ypsilanti. Washtenaw County Parks and Recreation is providing local match dollars for bike lane improvements in the coming year on Forest Avenue from College Place to Norris St. Washtenaw County Public Health has facilitated for us a \$2000 grant for a temporary trail in the Water St area to extend the existing Waterworks Park Trail to Michigan Ave this summer. Washtenaw County Parks and Recreation also recently funded a study examining the feasibility of a pedestrian bridge linking Riverside Park to the Water Street Waterworks Park Trail extension.

### **Potential Development**

The Water Street Redevelopment site has seen a renewed momentum in regards to development. Developers included a fast food establishment, potential retail with a grocery store, student housing and senior housing. Unfortunately, the lack of available commercial credit for financing has been a detriment to development and to date no formal purchase agreements have been signed. However, interest remains in the property and we believe that once the banks begin lending to commercial investors the Water Street Property will be ready for development.

### **Future Plans for Water Street**

Staff has created an action plan for 2010 which includes quarterly reports and meetings about progress related to Water Street. Demolition and some remediation of the site is expected to continue in 2010 as well. The goal for 2010 is to ensure that the site is redevelopment ready and continue to search for development opportunities and anticipate that the economic environment will move in a positive direction.

Respectfully submitted by,

April L. McGrath  
Director of Administrative Services