



Published on *East Lansing Info* (<https://eastlansinginfo.org>)

Home > DDA Unanimously Supports Sale of Public Properties for Park Place

---

## DDA Unanimously Supports Sale of Public Properties for Park Place <sup>[1]</sup>

Friday, October 26, 2018, 9:56 am

**By:**

Jessy Gregg



*Above: The developers' idea for the building that would replace Dublin Square.*

The Downtown Development Authority (DDA) has approved a draft of a purchase agreement <sup>[2]</sup> with Royal Apartments USA, Inc. for the sale of public properties for a redevelopment concept known as Park Place. <sup>[3]</sup>

The unanimous vote in favor came yesterday after City staff explained what they had been negotiating to obtain in the agreement and the City Attorney addressed questions about risk to the City and its taxpayers. (The documents that the DDA discussed at yesterday's meeting are available here <sup>[4].</sup>)

The still-in-flux project imagined by Royal Apartments would replace the privately-owned Dublin Square restaurant property, a City parking lot, and several DDA-owned rental properties on

Evergreen Avenue. The name of Paul Vlahakis, whose company owns Dublin Square, has dropped off completely from the agreement, although he was at yesterday's meeting.

[Update: After this article was published, Paul Vlahakis contacted us to clarify that he is a partner in the project and that "the final draft of the DDA Purchase Agreement will include our exact legal entity that we will [use to] purchase the DDA property" and hold title. He explained, "Sometimes when negotiating terms of a Purchase Agreement, it's much easier to just include one existing entity, then formulate a new entity once the Purchase Agreement is finalized."]

As we reported earlier this week <sup>[5]</sup>, the purchase agreement is being negotiated before the developer has presented a site plan indicating a vision for how the property will be redeveloped. Yesterday's vote by the DDA was on a draft counter-agreement to which the developer has not agreed. So the deal is not final.

The current version of the agreement, apparently drafted by City staff and the City Attorney, requires the purchaser, Royal Apartments, to put \$100,000 earnest money in escrow, which will be credited towards the purchase of the property if a development agreement is reached, or refunded if no such agreement can be reached after "good-faith" negotiations.

Tom Fehrenbach, East Lansing's Community and Economic Development Administrator, explained to the DDA yesterday that there are deadlines contained in the agreement that would result in the forfeiture of a percentage of that earnest money if certain benchmarks aren't reached.

A site plan must be submitted by December 15, 2018, and a Brownfield Redevelopment Plan must be submitted by January 15, 2019. Failure to meet either of those deadlines would result in forfeiture of 25% of the earnest money, or \$25,000 for each instance.

Under the terms of the purchase agreement a development agreement must be accepted by March 1, 2019 or the purchase agreement will expire.

DDA Vice Chair James Croom asked City Attorney Tom Yeadon if there was anything in the agreement that obligated the City to sell the property to the Royal Apartments if no development agreement was reached.

Yeadon responded that the property will not be sold until after an approved development contract is accepted, and that it was unlikely the purchaser would be interested in purchasing the property if no development agreement was reached.

Referencing the problems <sup>[6]</sup> that litigious former developer Scott Chappelle has caused for current Park District developers, Croom asked Yeadon if the Purchase Agreement as written would allow the purchaser to bring a lawsuit if, after a failed development negotiation, the City were to pursue an RFP with other parties. Yeadon opined that if both parties were acting in good faith, as defined by the purchase agreement, such a scenario would be highly unlikely and that a judge would be likely to rule in favor of the City.

The DDA properties were purchased at about twice the market value with City Council's approval in 2009 to support the City Center II development envisioned by Chappelle, and the

debt has been a source of concern ever since. The entire "Park District" area has long suffered blight and produced little property taxes because of the deals that led to the failed City Center II development.

Speaking during the public comment portion of the meeting, East Lansing resident and former City Council Member Ralph Monsma condemned the idea of the proposed purchase agreement which he characterized as a "cobbled together" process, with a "hard to follow schedule" that made it harder than usual for the community to follow the process.

Monsma also expressed concern about staging a major construction project near Abbot Road at a time when another large development (the Park District Project <sup>[7]</sup> currently planned for construction starting in January at the corner of Abbot and Grand River Avenue) would already be underway in that area.

Mayor Mark Meadows responded to concerns raised by Monsma and in a letter <sup>[8]</sup> from 21 homeowners of the adjoining Oakwood neighborhood, with Meadows saying that the development process for the parcel was "a very ordinary process for purchasing some property."

He described the process as an offer, a counter-offer and now a counter to the counter-offer, "really nothing that subverts the normal process."

According to Meadows, the only extraordinary thing about the agreement is that the developer in question, Royal Apartments, is willing to pay the entire \$5.58 million-dollar cost for the properties.

"This isn't going to be reimbursed through any TIF [tax reimbursement scheme]. The developer is going to pay full freight on this."

Meadows maintained that the development portion of the agreement would follow the established format for development within the City, with public hearings and review by the Planning Commission, The Brownfield Redevelopment Authority and ultimately the City Council. (Transportation Commission will also be given a chance to weigh in.)

Only City Council, the DDA, and the Brownfield Redevelopment Authority (which has the same membership as the DDA) will have a decisive vote on the project, and historically the DDA and BRA vote as Council votes.

The DDA unanimously approved the draft purchase agreement before going on to discuss the development of an RFP (Request For Proposals) for the same site. An RFP would open up to any developers interested in the opportunity for proposals to buy and develop the properties.

Although the drafting of an RFP will continue concurrently with negotiations between the City and Royal Apartments, the approved purchase agreement says the City is not allowed to seek other buyers for the property while the purchase agreement is pending and also cannot issue an RFP without the purchaser's written consent.

The DDA's final action regarding the Evergreen properties was to authorize the Mayor and the City's financial advisor to pursue a restructuring agreement with Huntington Bank regarding the repayment schedule for the bond on the Evergreen properties.

Since the properties were purchased by the DDA in 2009 for City Center II, the DDA has made payments on the interest on the bonds, but not on the \$5.58 million principal. Without restructuring, a much larger monthly payment which would include a payment on the principal would be due starting in April 2019.

DDA member Jill Rhode questioned whether it made sense to pay \$10,000 to restructure a debt that would be discharged by the purchase agreement that had just been signed if all went according to plan.

City Manager George Lahanas explained that paying \$10,000 now would assure a lower interest rate (higher than is currently being paid, but lower than the rate adjustment that would kick in in April) in the future if the purchase agreement did not end with a signed development agreement.

The Board passed the recommendation to pursue restructuring of the debt with a lone nay? vote from DDA treasurer Tricia Foster. She did not provide a reason.

#### **Related Categories:**

[City Attorney](#) <sup>[9]</sup>

[City Council](#) <sup>[10]</sup>

[City Manager](#) <sup>[11]</sup>

[Development and Planning](#) <sup>[12]</sup>

[Downtown Development Authority](#) <sup>[13]</sup>

[TIF](#) <sup>[14]</sup>

## **ELi is a member of INN and LION Publishers**



**Institute for  
Nonprofit News**



This news is brought to you by our financial supporters!

---

**Source URL:** <https://eastlansinginfo.org/content/dda-unanimously-supports-sale-public-properties-park-place>

#### **Links**

[1] <https://eastlansinginfo.org/content/dda-unanimously-supports-sale-public-properties-park-place>

- [2] [http://eastlansing.granicus.com/MetaViewer.php?view\\_id=2&event\\_id=414&meta\\_id=68716](http://eastlansing.granicus.com/MetaViewer.php?view_id=2&event_id=414&meta_id=68716)
- [3] <https://eastlansinginfo.org/content/next-big-development-ideas-pursued-commission-urges-dublin-square-building-be-preserved>
- [4] [http://eastlansing.granicus.com/GeneratedAgendaViewer.php?view\\_id=2&event\\_id=414](http://eastlansing.granicus.com/GeneratedAgendaViewer.php?view_id=2&event_id=414)
- [5] <https://eastlansinginfo.org/content/extraordinary-process-developers-may-obtain-exclusive-contract-public-land>
- [6] <https://eastlansinginfo.org/content/news-analysis-pickle-park-district>
- [7] <https://eastlansinginfo.org/content/after-years-drama-park-district-plan-looks-real>
- [8] [http://eastlansing.granicus.com/MetaViewer.php?view\\_id=2&clip\\_id=1066&meta\\_id=68731](http://eastlansing.granicus.com/MetaViewer.php?view_id=2&clip_id=1066&meta_id=68731)
- [9] <https://eastlansinginfo.org/cityattorney>
- [10] <https://eastlansinginfo.org/citycouncil>
- [11] <https://eastlansinginfo.org/citymanager>
- [12] <https://eastlansinginfo.org/devplan>
- [13] <https://eastlansinginfo.org/dda>
- [14] <https://eastlansinginfo.org/tags/tif>