



March 2, 2010

Mr. Ed Koryzno, City Manager
City of Ypsilanti
One South Huron
Ypsilanti, MI 48197

Re: Thompson Block

Dear Mr. Koryzno,

Thank you for taking the time to meet with me this last week regarding the current status and future of the Thompson Block. While we clearly have some difference of opinion about timing and the feasibility of meeting certain City goals with regard to the project and the use of the Streets surrounding same, I truly believe that we can agree on two primary goals with regard to the project, to:

1. Establish and follow through on a feasible plan to re-locate and /or remove the external façade bracing system to allow for complete access to City Right of Way by pedestrians and vehicular traffic
2. Re-develop the historic Thompson Block into a productive, attractive, and tax paying building

I am writing today to provide a comprehensive response to the February 24, 2010 "Agreement for Use of Street and to Repair Fire Damaged Building" forwarded to us since that meeting. I would point out that my earlier, February 28, 2010, memo on the subject was intended only to give some quick feedback on the feasibility of certain components of that agreement and to help direct additional discussions that due to my illness we have as of yet been unable to hold in detail.

I would first like to thank you and the members of City Council for granting us the previous 45 day extension of the Traffic Control / Street Closure Order. I used this time to open up 2 lanes of traffic on Cross Street and to develop a plan for the building going forward as promised. After accomplishing the street opening I was specifically asked to:

- Investigate alternative façade stabilization methods that would allow the return of additional street/right of way to public use.
- Investigate options for proceeding with façade repairs in lieu of alternative stabilization methods.
- Present to Council at the end of 45 days a detailed plan to address the overall concerns regarding 400 N. River.

We submitted at the February Council meeting a proposal and plan for the building that met the primary goals outlined above (copy attached), but were directed to meet with you to work out a more definitive plan and timeline. The February 24, 2010 "Agreement" presents the City's' proposal for going forward, to which we respond as follows:

First a few key corrections. The Thompson Block is owned by Historic Equities Fund I LLC, and not by Stewart Beal or Beal properties LLC. The use of "Beal" in the documents is understood to mean the legal owner of the building.

Further, we do not, as suggested in the last paragraph on page one of the agreement agree that the property in its present condition is a nuisance and subject to demolition. The entire building is stabilized, as the engineering report by Ehlert Bryan previously provided to the City confirms, and we fully intend to rehabilitate it. A portion of the building is not even fire damaged, and the building as a historic structure, can not simply be demolished. This paragraph would need to be stricken from the agreement.

As to the Agreement (Therefore) paragraphs, we respond to each as follows

- 1) The City shall extend the Traffic Control Order pursuant to the remaining terms of the agreement. *We are pleased that the City has proposed to extend and understand it can only be with agreement on reasonable terms for same.*
- 2) Beal shall obtain / furnish a performance bond. *We will not participate in the posting of a demolition bond as our goal remains re-development. If the City desires some other type of completion or right of way bond we are prepared to investigate same.*
- 3) Beal to provide plans for stabilization and removal of fire debris on or before March 16, 2010. *We have already proposed a plan and a timeline regarding these issues in our letter of February 2, 2010. We can provide more detail if desired but due to the delays in reaching agreement would need the deadline extended to March 30, 2010.*
- 4) The City shall obtain the Services of an Independent Engineer. *We would certainly prefer to provide the City with full access to our own structural engineer's analysis, but understand the City's position and would agree to this condition if the deadline is extended to March 30, 2010.*
- 5) On or before March 15, 2010 Beal shall move the River Street shoring. *Beal would agree, as we proposed in our letter of February 2, 2010, to relocate the shoring out of the street (to the curb line) on the River Street side. We have however been informed that the City will require a building permit for this work to occur; we commit to completing this work within 30 days of receipt of same.*
- 6) On or before May 1, 2010 Beal shall completely remove all shoring and structures for the City right of way. *This deadline can not, under any circumstances, be met. We would commit as we did in our letter of February 2, 2010 to working in this direction with a deadline of August 30th, 2010 for the Cross Street side, and*

November 30th for the River Street side. Please note that even while working on facade repairs and the later more comprehensive building re-development we will need, and would expect the City to permit, our occupancy of the right of way for scaffold erection and building access.

- 7) On or before June 1, 2010 Beal shall provide the City with structural engineering plans and drawings for rehabilitation of the building. *We can agree to provide this information for the façade and roof re-construction work proposed, by the date requested.*
- 8) On or before May 1, 2010 Beal shall have furnished evidence to City that financing is in place, including tax credits if applicable. *We plan to return to work utilizing our own resources as soon as the weather breaks, and to make steady progress on the project in accordance with our other commitments as contained herein. The deadline for financing however can simply not be met as proposed. We are yet in the midst of the worst financial / bank crisis since the great Depression and financing for all intents and purposes is IMPOSSIBLE to obtain for this type of project, even with all our experience and the banking relationships we have developed through our prior re-development success. Add to that the fact that we are no position to control the response of the Federal and/or State Government's with regard to tax credit decisions, and the additional complexity imposed on these discussions by the fire, and it is clear that we are simply in no position to commit to any deadline for financing.*
- 9) On or before June 15, 2010 Beal shall apply for a building permit. *As referenced in # 8 above, we plan to return to work as soon as the weather breaks, and will pull the appropriate permits for same*
- 10) On or before July 1, 2010 Beal shall either enter into a contract with a qualified contractor for the work, or begin the work with its own resources. *Beal Properties HEF I already has a contract in place for the rehabilitation with JC Beal Construction Inc., but given the constraints referenced in # 8 above can almost certainly not authorize them to move forward with the project within the proposed deadline. Again however, we do plan to return to work as soon as the weather breaks, and to make steady progress on the project in accordance with our other commitments as contained herein.*
- 11) On or before September 1, 2010 Beal shall have installed all exterior walls for the rehabilitated structure and a new working roof. *While we intend, as referenced above to proceed with construction activities as soon as the weather breaks, the financing constraints referenced in # 8 above will almost certainly prevent us from meeting the proposed deadline, and further make it imprudent to suggest an alternative deadline at this time*
- 12) On or before June 2, 2011 Beal shall have the structure in such condition as to obtain a permanent certificate of occupancy. *Again, without financing and tax credit approvals in place to meet the earlier deadlines referenced in # 11 and 12*

above, we are in no position to promise to meet this one, nor to commit to an alternate completion date.

13) Default. *We are, as referenced above, prepared to commit to reasonable dates for a number of the City's key points, especially those that relate to the right of way issues. We can not however do so financing, tax credit approval, or major construction activities other than those relating to the facades. Again as stated above, these issues are in fact controlled by third parties, who would not, and can not by our agreement be bound to these terms. As such we can not agree to the default clause as written.*

14) Insurance. *The City has been provided with an insurance certificate that meets the criteria stated in the agreement, and that names the City of Ypsilanti as an additional insured. Please let us know if the City sees any issues with form or coverage as referenced in same*

15) Permits. We are prepared to file for all permits required for the work proposed

Please note too that, as stated in our February 2, 2010 correspondence, we have a separate plan in place to renovate the undamaged portion of the building; that portion commonly referred to as 408 North River, into a restaurant and bar: Plans have been developed, we are working with a potential tenant and depending on the tenants timing, hope to start this project in the spring.

We request again that we have the opportunity to negotiate further with regard to a realistic and achievable "Agreement for Use of Street and to Repair Fire Damaged Building", and that we be granted an extension of the Traffic Control / Street Closure Order until November 30, 2010 in order to move forward as outlined above. Thank you again for your continued interest in resolving these issues, and for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "St W. Beal". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Stewart W. Beal, President
Beal Properties, LLC