



Detroit Water and Sewerage Department

735 Randolph Street
Detroit, Michigan 48226
(313) 224-4704 Office
dwsd.legistar.com

Legislation Text

File #: 19-0081, **Version:** 2

The Board of Water Commissioners for the City of Detroit, Water and Sewerage Department **Approves the Real Property Purchase Agreement and Assignment of Sale Proceeds between the City of Detroit, the Great Lakes Water Authority, and the Detroit Brownfield Redevelopment Authority for Part of 11900 Freud and 11900 E. Jefferson, Detroit, Michigan; Waives the Great Lakes Water Authority's Sixty (60) Day Notice Requirement to Dispose of Property;** and authorizes the Director to take such other action as may be necessary to accomplish the intent of this vote.

Agenda of March 15, 2019
Item No. 19-0081

TO: The Honorable
Board of Water Commissioners
City of Detroit, Michigan

FROM: Gary Brown, Director
Water and Sewerage Department

**RE: Sale of Detroit Water and Sewerage Department Parcels Near Connor Creek Combined Sewer
Overflow Facility to Detroit Brownfield Redevelopment Authority for Transfer to FCA, US**

MOTION

Upon recommendation of Gary Brown, Director the Board of Water Commissioners for the City of Detroit, Water and Sewerage Department **Approves the Real Property Purchase Agreement and Assignment of Sale Proceeds between the City of Detroit, the Great Lakes Water Authority, and the Detroit Brownfield Redevelopment Authority for Part of 11900 Freud and 11900 E. Jefferson, Detroit, Michigan; Waives the Great Lakes Water Authority's Sixty (60) Day Notice Requirement to Dispose of Property;** and authorizes the Director to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

On February 26, 2019, Mayor Mike Duggan announced that the City of Detroit and FCA, US, LLC (Fiat Chrysler Automobiles) entered into a Memorandum of Understanding giving Detroit 60 days to, among other things, gather a sufficient number of parcels of land that FCA will use to convert the Mack Avenue Engine plant into a new assembly plant and to expand the existing Jefferson North facility. This \$2.5 Billion investment project will bring 5,000 new jobs to Detroit and 6,500 total jobs to Southeast Michigan.

In order to accomplish this project, FCA will need approximately 200 additional acres of land to accommodate plant expansion, parking, trailer marshalling, and vehicle storage needs. The City of Detroit has committed to acquire the necessary acreage and contribute the land to FCA project. FCA's goal is to complete construction in time for the 2021 model year. As a result, there is a very short window for the City of Detroit to meet its obligations.

This would be the first new assembly plant built in Detroit in almost three decades, the first in Michigan in the past 13 years and the first in the U.S. since 2011. FCA would become the only auto company with a significant manufacturing presence in Detroit. FCA will also enter into a development agreement with the City, which will address potential impacts to the surrounding community.

The City and its related agencies have 60 days from the date of announcement - until Saturday, April 27th, to meet certain deadlines. When these obligations are met and the parties enter into a final development agreement, FCA will start construction immediately in order to make its production deadline.

The parcels at issue constitute a 14.5 acre strip of land near the Connor Creek CSO with some riverfront footage. The City acquired the parcels through eminent domain in 2000 for a price of \$1.2 Million. The Brownfield Authority is purchasing *a portion* of the parcels for \$1 Million.

JUSTIFICATION

Under the terms of the Sewer Supply System Lease, the Great Lakes Water Authority, following 60 days' notice to the City, has the right to sell or dispose of any of property that constitutes part of the Leased Sewer Facilities if the Authority determines the property is no longer need or disposition will not impair system operation efficiency. The particular parcels at issue here are part of the Leased Sewer Facilities. Although, these parcels are GLWA's preferred site for a future regional sewer facility, GLWA has determined the land may be disposed of at this time. Under Paragraph 14.12 of the Purchase Agreement (attached), if for any reason FCA does not use the land for the project and the property reverts to the Brownfield Authority, then GLWA has the right to repurchase the property within 90 days at fair market value.

Under the terms of the Sewer Supply System Lease, the Board of Water Commissioners is only entitled to notice of the transaction and does not need to approve the sale. However, the Purchase Agreement includes BOWC approval, as well as a waiver of the 60-day notice period.

BUDGET IMPACT

The proceeds of the sale are sent to GLWA, who allocates the funds as common to all.

BOARD REVIEW

This matter was not formally presented to the Finance Committee for recommendation, but is presented to the full Board of Commissioners for vote.