

ORDINANCE NO. 15-00

By: Mark R. Masser

An Ordinance to authorize the Mayor and Auditor to execute a non-binding letter of intent with The Coral Company with respect to redevelopment of the City Hall property, to authorize the Mayor to designate a negotiating team, and to declare an emergency.

WHEREAS, the City issued a request for proposals on March 1, 1998 soliciting development proposals for the City Hall property at 2242 East Main Street; and

WHEREAS, the Main Street Redevelopment Commission received and reviewed three proposals and through its representatives has selected The Coral Company as developer and negotiated a letter of intent with The Coral Company; and

WHEREAS, Ohio Revised Code Section 721.28 authorizes Council to lease real property for purposes of urban redevelopment on terms and conditions prescribed by it, and this Council believes that it is in the best interests of the City to pursue further a proposal for redevelopment of the City Hall property; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF BEXLEY, OHIO:

Section 1. That the Mayor and Auditor are hereby authorized to execute a non-binding letter of intent between the City and The Coral Company in substantially the form attached to this Ordinance as Exhibit A and incorporated in this Ordinance by reference.

Section 2. That the Mayor is hereby authorized and directed to designate a negotiating team to represent the City in negotiating a ground lease and such other agreements as shall be deemed necessary, desirable or appropriate in carrying out a development plan for the site.

Section 3. That this Ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health and safety, such emergency being the need to commence due diligence at the earliest possible date, and shall be in force immediately upon its passage and approval by the Mayor.

February  
Passed: 0000 29, 2000

2/22/00 First reading  
2/29/00 Second reading  
Suspend 3rd reading. Passed.

Aune Porter  
President of Council

Attest: Richard A. Levin  
Clerk of Council

Approved: 2/29, 2000

David H. Madison  
David H. Madison, Mayor



The Coral Company  
24400 Chagrin Boulevard  
Suite 100  
Breckwood, Ohio 44122

p 216.786.8922  
f 216.786.1068

February 11, 2000

Mr. William Schottenstein  
Arshot Investment Corporation  
21 East State Street  
Columbus, Ohio 43215

**FACSIMILE DELIVERY: 614.463.1896**

Re: Main Street Bexley

Dear Bill,

We are proposing the following terms as an expression of the mutual intent of The Coral Company and the City of Bexley to negotiate a ground lease for the Main Street Bexley project. When signed on behalf of the City, this document will constitute a non-binding letter of intent between us, setting forth the terms and conditions on which we will negotiate in good faith to conclude a ground lease.

Ground Lease

- Primary term of forty years with four ten year renewal options.
- Due diligence period to commence when this letter of intent is mutually signed. The parties have estimated 60 days from the signing of this letter of intent to conclude and sign a ground lease. If the ground lease is signed within 60 days of the date of this letter of intent, the due diligence period will expire on the 120<sup>th</sup> day following the date of this letter of intent. If, however, the ground lease is not signed within such 60 day period, then the due diligence period will not expire until the later of (i) the 150<sup>th</sup> day following the date of this letter of intent or (ii) the 15<sup>th</sup> day following execution of the ground lease. The ground lease will include a development schedule with critical benchmarks and required completion dates, including, without limitation, preliminary plans, final plans, and project financing.
- Coral will commence due diligence studies with the signing of this letter of intent. Coral's due diligence will include review of title, completion of an ALTA survey, phase one environmental site assessment, geotechnical analysis, completion of separate residential and commercial market studies, exploration of financing sources, site planning, building design, preliminary civil engineering, and economic forecasting. Coral will immediately initiate due diligence activity based on indemnification from the City, in the event and only in the event the ground lease is not executed, for all costs relating to (i) survey and preliminary civil engineering, (ii) environmental assessment, and (iii) geotechnical analysis. By signing this letter, the City of Bexley acknowledges that this paragraph creates a binding obligation with respect to such due diligence costs. Coral will be responsible for all other due diligence costs, whether or not a ground lease is signed. As to the items of due diligence for which the City may have financial exposure, the City will have the opportunity, prior to such items commencing, to review and approve a proposal, scope of work, and cost. The City will not unreasonably withhold its approval.

FEB-14-00 MON 01:51 PM

ARSH INVESTMENT CORP

FAX: 614 463 1890

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- Ground rent and any additional charges under the ground lease will begin on the date which is twelve months following execution of the ground lease.
- The City will be responsible for environmental remediation and demolition of existing improvements. The City will not be required to complete these items until 90 days after final approval of project plans is secured and financing for the project is demonstrated.
- Base rent under the ground lease will be \$175,000 per year for the first five years of the ground lease. At the end of every five year period, base rent will increase by 10%.
- The City will be entitled to receive, as additional rent under the ground lease, an annual payment equal to 20% of the actual, after debt service cash flow from the project. "Cash Flow" will be defined and mutually agreed to in the ground lease.
- Coral will have the right to finance and mortgage its leasehold interest, with the first mortgage lender having the absolute and unconditional right to cure any breach and assume Coral's position at any time under the ground lease. The City's fee simple interest will not be at risk to foreclosure from any project financing to which Coral is a party.
- Coral will provide a guaranty of completion of construction.

City Mezzanine Financing

- The City will provide mezzanine/second mortgage financing of \$500,000.
- Funds will be available when construction of the project is complete. Coral will provide notice to the City 90 days prior to requesting a certificate of occupancy for the project. The City will be obligated to provide such funding within 60 days after the certificate of occupancy for the project is issued.
- The mezzanine financing will be funded all at once.
- Mezzanine loan funds may be used for any costs of the project.
- The mezzanine financing will be non-recourse.
- Interest rate will be the City's cost of funds plus approximately five basis points.
- Mezzanine financing will be self-amortizing over twenty years.

Tax Abatement

- The project will be tax abated for a ten year period.
- Abatement to kick in upon completion of construction (and full assessment).

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- Either 75% of the real and personal property taxes will be abated or 100% with an obligation to pay 25% in lieu of taxes.

#### Parking Deck

- The City will own, finance, operate, and maintain a parking deck to serve the project. It is intended that the parking deck will provide adequate parking for the residential portions of the project, parking for an expanded Drexel Theatre, and parking for retail businesses along Main Street. It is anticipated that the residential portions of the project will require at least one, and not more than two, spaces per residential unit.
- Coral and the City will work cooperatively in the layout and design of the parking deck in order to accomplish several goals including, without limitation, segregated parking for project residents, movie theater parking, and Main Street shopper parking.
- Coral will pay for one parking space in the parking deck for each residential unit in the project at the City's cost of operations – capital cost (to include debt service on loans to finance construction of the parking deck) plus annual maintenance and operating expenses. The capital cost associated with the parking deck will be fixed when the City financing of the parking deck is finalized. To the extent the residential portions of the project requires more than one parking space per unit (but in no event more than two parking spaces per unit), Coral will pay for the additional spaces in the parking deck at the "market cost" which the City is charging to all other private parties.

#### Main Street Improvements

- Improvements to the public right-of-way and sidewalk along Main Street will be jointly considered by Coral and the City. These may include head-in parking, a landscaped median, lighting, sidewalk improvements, and pedestrian crossings.
- Coral and the City will work cooperatively to secure third party funding for improvements within the Main Street right-of-way. To the extent third party alternate funding is not available, Coral and the City will work cooperatively to establish a joint funding relationship. If neither of these alternatives is possible, Coral will be responsible for, and only for, those improvements located directly in front of the project along Main Street.

#### Capital University

- The City and Coral hope to include a portion of Capital University's Main Street frontage in the street improvement program for the project.
- Coral and the City will work jointly and cooperatively to secure the participation of Capital University.

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Alternative Sources of Financing and Funding

- The City and Coral recognize that alternative public, semi-public, and private foundation funds may be available to support the project.
- Coral and the City will work jointly and cooperatively to secure alternative funding sources.

City Hall Relocation and Office Space

- Coral and the City will work cooperatively to insure timely relocation of the City offices from the project site.
- Coral is willing to consider leasing second floor space to the City office for administrative offices, with any such lease being on market terms.

If these terms are acceptable, then please have a copy of this letter signed on behalf of the City and returned to our office. Looking forward to a long and mutually rewarding relationship, I remain,

Sincerely yours,



Peter H. Rubin  
President

PLR/bjs

- cc: Eric M. Silver
- Jeffrey N. Goldberg
- Cary J. Zabel, Esq.
- Ted Schmidt via fax

Approved on behalf of the City of Bexley, Ohio  
this \_\_\_\_\_ day of February, 2000.

CITY OF BEXLEY

By: \_\_\_\_\_