



September 9, 2013

Mr. Tony Saunders
Emergency Manager
City of Benton Harbor
200 E. Wall Street
Benton Harbor MI 49022

RE: EXTENSION OF KLOCK ROAD

Dear Tony,

We want to bring to your attention an issue related to the Harbor Shores Development and the City of Benton Harbor. Exhibit 1 is an extract from the Lease Agreement between the City of Benton Harbor and Harbor Shores Community Redevelopment, Inc. You will note in this exhibit several financial commitments Harbor Shores made as part of the local match for various state road construction projects (projects which Harbor Shores provided the concepts and engineering to obtain).

We need to discuss the commitments made by the City of Benton Harbor to Harbor Shores, and conversely commitments made by Harbor Shores to the City of Benton Harbor, specifically related to the local match for construction of the Klock Road extension connecting North Shore Drive to Paw Paw Ave.

On behalf of Harbor Shores, we believe there have been significant material changes to the commitments made by both parties relative to this road extension that the terms and conditions need to be revisited. Perhaps it may be in the best interests of the City of Benton Harbor to accept a contribution payment by Harbor Shores in lieu of the construction of this road to satisfy all financial obligations made by and between the City of Benton Harbor and Harbor Shores.

Consider the following relevant facts:

Harbor Shores purchase of land from the City of Benton Harbor for future development:

Harbor Shores purchased several acres of land from the City of Benton Harbor for the sole purpose of adding tax base for the community. Exhibit 2 shows land bound by North Shore Drive, the Paw Paw River and Paw Paw Ave. next to the Modern Plastics parcel. The purchase price for these parcels was based upon the land being deemed suitable for future development.

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Unbeknownst to the City of Benton Harbor and Harbor Shores, this land proved to be non-developable to its highest and best use inasmuch as this was an area in which many decades ago, the City of Benton Harbor used the land as a public dumpsite. Upon discovering the land was not suitable for its development Harbor Shores notified the City of this fact and chose not to seek reimbursement of the elevated land price charged by the City.

The idea of building a road along this area was based upon the vision of providing the local share of a state grant that Harbor Shores secured to enable future development opportunities. Through no fault of anyone, the obligations by the City of Benton Harbor in providing land that met the development criteria first envisioned have subsequently changed since the Lease Agreement was first executed.

The current and future use of Modern Plastics remains in question:

Several years ago as the Lease Agreement was entered into between Harbor Shores and the City of Benton Harbor, Cornerstone Alliance and the Whirlpool Foundation provided funding to help keep the Modern Plastics facility operating and providing jobs for area residents. A portion of the funding from Harbor Shores for the construction of the Klock Road extension was intended to support a mixed use concept made popular in the early 20th century. Namely residential and recreational development near employment centers.

Since the Lease Agreement was executed, Modern Plastics has gone into bankruptcy, and the future reuse of this parcel remains in serious question.

As you may know, over \$400,000 of taxes is in arrearage for this parcel of property. The Berrien County government has advanced to the City of Benton Harbor its portion of the taxes that have not been paid. Should these back taxes not be paid, or when the property is sold, and the sale proceeds not be sufficient to cover these back taxes, the County of Berrien will be required to seek restitution from the City of Benton Harbor for approximately \$300,000.

After Modern Plastics went into bankruptcy, the US EPA sent its emergency response division into the facility to help clean up spilled oils from transformers. Several hundred thousand dollars was incurred by the Federal EPA, and to the best of our knowledge, the Federal EPA has within its rights the opportunity of placing a lien on the property for reimbursement of these emergency response expenditures.

Harbor Shores incurred the costs to do an environmental assessment of the Modern Plastics parcel of property only to find the cost for environmental remediation, building demolition and capping in preparation for the re-use of the property to commercial and industrial standards would run north of \$1.5 million. Sum total, back taxes, environmental clean up and restitution

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of state and federal expenditures, if any, run in excess of \$250,000 per acre. Hence our concern over the viable future re-use of the parcel.

Given all the uncertainties associated with the Modern Plastics parcel, the unknown intentions of those that have financial interests in the property and the enormous expenses required for bringing this property back to proper re-use coupled with the fact the land purchased from the City of Benton Harbor adjacent to the proposed road is not suitable for its intended development, we are predisposed to question whether or not constructing a road from North Shore Drive to Paw Paw Ave. is in the best interests of the community. Furthermore, for Harbor Shores to expend the fees for the road construction would require us to seek proper recompense from the City of Benton Harbor for land that was claimed to have been developable at the time.

Therefore, we would like to meet with you to explore the best vehicle to resolve this matter in a manner that is in the best interests of the community.

Sincerely



Bob McFeeter
Harbor Shores Community Redevelopment, Inc.

Cc: Jeff Noel