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# U.P. firm labels lawmaker's NMU-related land deal allegations 'reckless'



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An Upper Peninsula development company headed by a Northern Michigan University board member has fired back at a Michigan lawmaker's accusations involving the firm, a hospital land and the NMU Foundation, calling them "meritless and reckless."

Rep. Sara Cambensy, D-Marquette, on July 28 wrote a 13-page letter to Michigan Attorney General Dana Nessel raising concerns about a potential conflict of interest and possible misuse of state and local money regarding the property of the old Marquette General Hospital, located on more than 20 acres near NMU's campus. She asked Nessel, a fellow Democrat, to investigate.

Veridea Group, a Marquette-based real estate development and hotel management firm where NMU Board of Trustees member Robert Mahaney is president, wrote a letter to Nessel that said Cambensy was unfairly smearing the reputation of the company, individuals and other entities that are trying to collaborate on a legitimate development project.

The community-owned hospital was sold in 2012 to the for-profit Lifepoint Health, which built a \$400 million health care facility downtown, leaving the site of the old hospital building vacant. It had been for sale for years when Mahaney signed an agreement to buy the property three years ago, but it never came to fruition.

Last summer, NMU Foundation CEO Brad Canale began discussions with Lifepoint to buy the property for \$1 and transfer it Veridea and Mahaney, an ex-officio member of the NMU Foundation board, according to Cambensy's letter. The plan included Lifepoint providing a \$10 million "donation" to the NMU Foundation on the condition that the NMU Foundation provide over 52,000 square feet of office space for seven years.

As a part of the deal to transfer the property from the NMU Foundation to Veridea, the development company would receive tax considerations for the property's demolition. The deal raised eyebrows for Cambensy when the recently signed \$76 billion state budget included \$8 million for vacant building demolition at the site of the former hospital.

Mahaney's company lashed back in a Friday press statement and letter to Nessel.

"Rep. Cambensy besmirched the integrity of Veridea and Mr. Mahaney, as well as the NMU Foundation, Northern Michigan University, LifePoint Hospital, city of Marquette staff and commissioners, and numerous individuals and entities that have, collectively and collaboratively, worked to advance the economic viability and quality of life in the Marquette area, as well as the greater Upper Peninsula," according to the statement.

The Veridea Group statement highlighted that Mahaney has disclosed "all potential or real conflicts of interest to the NMU board and its legal counsel, including any arising from the potential redevelopment of the former Marquette General Hospital campus."

The statement also said outside of a brownfield request with the city, Veridea has had no involvement in the procurement of public funds.

"In fact, Mr. Mahaney first learned of the \$8 million State Blight Elimination appropriation the evening prior to the Legislature's vote on the matter," the statement said.

Mahaney was appointed to the board in 2014 for an eight-year term by Republican former Gov. Rick Snyder.

Steve Young, chair of the NMU Board of Trustees, also issued a statement on Friday, saying that errors needed to be corrected in Cambensy's letter to Nessel.

"While the Northern Michigan University Board of Trustees and the university itself are not involved in the development project that Rep. Cambensy has targeted in her letter ... this board cannot and will not stand silently by in the face of false accusations leveled against individual board members or the board as a whole," Young said.

He said that the lawmaker incorrectly alleged that, at a December 2021 meeting, shortly after terminating then-University President Fritz Erickson, the Board of Trustees changed the conflict of interest policy in the board bylaws.

"This is false," Young said. "There have been no changes in the conflict of interest policy since July 2015. The changes made in 2015 are changes that then-President Erickson, himself, reviewed and submitted to the board for approval."

Cambensy responded in a statement, saying she believes the Attorney General's office will handle fairly an investigation that questions "the use of state and local taxpayer funds, the public's right to view those documents or methods of communication that elected or appointed members to those public offices or boards have used in making their decisions, and whether the people elected or appointed to the public bodies involved used their public position for personal financial gain."

"The public has serious concerns about the transparency and details surrounding this project, as well as every person who voted to approve different parts of this project that either allocated or used public tax dollars," Cambensy said.

In the Veridea letter to Nessel, Lansing-based lawyer Peter Ruddell predicted how she might respond to the concerns.

"There is little doubt in my mind you will conclude all of the allegations are false, no law was broken or avoided and any fiduciary responsibility/obligations of a public official was not breached," Ruddell said. "Unfortunately, the request is conclusory in nature and provides your office very little background detail in order for your office to determine whether an investigation is warranted."

Nessel's office hasn't indicated whether it will investigate.

In the letter to Nessel, Ruddell said Lifepoint conducted a national campaign in 2018 to sell the old hospital campus, which included 11 buildings ranging in age from more than 20 to 100 years old. But the company provided little information on the facilities and potential bidders were not allowed to tour prior to submitting any proposal.

Veridea and other U.P. developers made bids to acquire the hospital campus. Veridea entered into a purchase agreement with Lifepoint, envisioning renovation and reuse of the largest buildings. But on-site inspections revealed "miscalculations" or "errant assumptions" concerning building conditions, mechanical systems and building sizes, according to Veridea's letter.

"It was determined that all 850,000 square feet and 11 buildings would need to be demolished, more than doubling the demolition expense to roughly \$16 million; thus, making the project financially unfeasible under the terms of sale," Ruddell wrote.

When LifePoint decided not to amend the terms, Veridea terminated the agreement in August 2019 and all discussions, did no further work on the project, and "considered the matter to be closed," Ruddell wrote.

In March 2020, the newly appointed chief administrator of LifePoint's Upper Peninsula Health Systems Marquette or UPHSM, Gar Atchison, contacted Mahaney to ask Veridea negotiate again with LifePoint on redeveloping the old hospital campus, according to the lawyer.

"As Veridea was no longer interested in the project owing to the extraordinary large and unfunded demolition costs, Mr. Mahaney introduced Mr. Atchinson to Mr. Brad Canale, CEO of the Northern Michigan University Foundation, as a potential collaborator to find additional sources of demolition funds and community development," Ruddell wrote. "After this introduction, Veridea was no longer involved in any direct discussions between LifePoint and NMUF."

In September, 2021, the NMU Foundation asked Veridea to provide consulting services and the company's materials and findings from the previous due diligence work on the old hospital campus.

"All materials and hundreds of hours of work were provided pro bono," Ruddell wrote. "Veridea's work included creation of a master site plan, deed and title reviews, and financial feasibility analysis and recommendations. This consulting ended in December, 2021. On September 28, 2021, NMUF and LifePoint signed a PSA."

The NMU Foundation launched a public nationwide search for a master developer with a request for qualifications in March.

"Veridea did not participate in the crafting of the RFQ and first received the RFQ when it was publicly released on March 11, 2022," Ruddell said. "On April 8, 2022, Veridea submitted its response to the RFQ."

In May, two community forums and two discussions were held on the redevelopment of the old hospital campus.

"On May 13, 2022, NMUF notified Veridea that the NMUF Board selected Veridea to be the Master Developer," Ruddell said. "On May 31, 2022, the Marquette City Commission held a public hearing and ultimately approved NMUF's brownfield request in the amount of \$44 million."

He concluded there was no conflict of interest, other developers were included in the process and said allegations of misuse of public funds is "blatantly false."

"Veridea will not receive any public funds," Ruddell said. "All public funds are being used by the city of Marquette and NMUF to demolish the blighted property."

Cambensy's allegations and accusations are without merit, Ruddell added.

"The process undertaken by all parties has been transparent and will continue to be transparent," he wrote.

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