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Detroit City Council OKs settlement deal with Herman Kiefer developer

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The long-vacant Herman Kiefer hospital complex in Detroit. (CoStar Group Inc.)

By **Nick Manes**

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The former Herman Kiefer hospital site in Detroit could be under city ownership by late summer, per the terms of a newly approved settlement agreement.

City Council on Tuesday approved without objection a negotiated settlement between the city's law department and the New York City-based owner of the massive complex off of the John C. Lodge Freeway in the Virginia Park neighborhood.

Under that agreement, bankrupt developer Herman Kiefer Development LLC has until Aug. 1 to market the property for sale with the city able to approve a new owner who would also have to enter into a development agreement with the city.

Should developer Ron Castellano not bring an approved purchaser to the city by that time, the city would take possession of the roughly 40-acre property and reimburse Castellano his $925,000 purchase price.

While some City Council members expressed concern about the possibility of being responsible for such a large piece of property, the city's Deputy Corporation Counsel James Noseda contended the agreement is in the best interest of the city for getting the long-vacant property redeveloped.

"This is the most effective way to move forward with the Herman Kiefer development," Noseda told City Council on Tuesday. "It will ensure that we either have a new developer that will be chosen by the city to move forward, or we will get title and we can choose a developer ourselves."

Noseda said the agreement on which City Council signed off Tuesday was negotiated with the developer who specifically requested time to seek a new buyer.

The agreement also ends litigation between the city and Castellano's development entities.

The approval of the settlement is a "welcome step toward a resolution," Castellano said in a written statement sent Tuesday through a spokesperson, noting that he's invested around $14 million into the Herman Kiefer campus and surrounding neighborhood.

"That work represents a substantial commitment to this community, and we remain focused on protecting that investment and realizing the site's full potential," Castellano added in the statement. "We are optimistic that continued collaboration with the City can build on what we have accomplished and generate the greatest value for the property and surrounding neighborhood."

Castellano's decade-plus ownership of the Herman Kiefer property has been fraught with tension with city officials and other challenges. Since at least early 2025, city

officials have contended the ownership group hasn't made enough progress, which Castellano has disputed.

Castellanos bought the massive site for $925,000 in 2015, and City Council officially approved the sale in 2018. In addition to the former hospital, Herman Kiefer Development also owns two adjacent buildings and, through a separate deal with the Detroit Lank Bank Authority, more than 100 homes and more than 300 parcels of land surrounding it.

Noseda said Tuesday that the additional homes and vacant property have since been brought back under the ownership of the land bank.

According to Historic Detroit, which tracks Detroit buildings and architecture history, the Herman Kiefer property traces its roots back to 1893, although the Albert Kahn-designed primary building didn't open until 1928.

The hospital had originally been a clinic for people with such diseases as measles, tuberculosis and smallpox, although buildings and pavilions were added over the years to accommodate a city with a growing population, according to Historic Detroit. The Herman Kiefer hospital closed in October 2013, just a couple of years after the complex — by that time home to the city health department — "was found to be in unsanitary, hazardous conditions," Historic Detroit wrote. About 18 months before it closed, an investigation revealed a "widespread misuse of funds."

— *Crain's reporters Kirk Pinho and Elizabeth Schanz contributed to this report.*

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