



Legislation Details (With Text)

**File #:** 08-1032      **Version:** 1      **Name:** 12/1/08 Bank of Ann Arbor Extension Agr for Purchase of 350 S. Fifth Ave.  
**Type:** Resolution      **Status:** Passed  
**File created:** 12/1/2008      **In control:** City Council  
**On agenda:** 12/1/2008      **Final action:** 12/1/2008  
**Enactment date:** 12/1/2008      **Enactment #:** R-08-485

**Title:** Resolution to Approve an Extension of the Existing Installment Purchase Agreement with Bank of Ann Arbor to Finance the Purchase of 350 S. Fifth Avenue (\$3,500,000.00)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
12/1/2008	1	City Council	Approved	Pass

Resolution to Approve an Extension of the Existing Installment Purchase Agreement with Bank of Ann Arbor to Finance the Purchase of 350 S. Fifth Avenue (\$3,500,000.00)  
The resolution before you is to approve the extension of an existing installment purchase agreement (IPA) for \$3,500,000. The City entered into an IPA with Bank of Ann Arbor in 2003 to fund the acquisition of the property at 350 S. Fifth, the former YMCA site. The IPA expires on December 16, 2008. This resolution approves a five year extension to the existing IPA, at the same interest rate, with no prepayment penalty after the first year.

An installment purchase agreement is essentially equivalent to a commercial loan. Michigan Public Act 99 of 1933 grants authority to municipalities to enter into such agreements. The City of Ann Arbor has used this financing vehicle in the past to finance the purchase of a fire truck, various pieces of rolling stock and the YMCA property. The benefits of using an installment purchase agreement, instead of a traditional general obligation bond, are lower issuance cost, faster funding process and decreased documentation requirements.

The Treasury Unit solicited bids from seven banks and received two responses, which are tabulated below:

Bank	Rate
Bank of Ann Arbor*	- 3.89%
Chase Equipment Leasing, Inc.	- 6.14%
Banc of America Public Capital Corp	- (did not submit bid)
Citizen's Bank	- (did not submit bid)
Comerica Bank	- (did not submit bid)
Fidelity Bank	- (did not submit bid)
Ann Arbor Commerce Bank	(did not submit bid)

\* Recommended bank

Passage of this Resolution is recommended.

Prepared by: Matthew V. Horning, Treasurer

Reviewed by: Tom Crawford, Financial & Administrative Services Area Administrator

CITY OF ANN ARBOR

COUNTY OF WASHTENAW

STATE OF MICHIGAN

RESOLUTION AUTHORIZING EXTENSION OF

INSTALLMENT PURCHASE AGREEMENT

(ANN ARBOR YMCA BUILDING ACQUISITION PROJECT)

At a regular meeting of the City Council of the City of Ann Arbor, Michigan (the "City"), Washtenaw County, Michigan, held in the City Hall, on Monday, December 1, 2008, at 7:30 p.m., Michigan time, there were

Present: Councilmembers Mayor John Hieftje, Councilmember Marcia Higgins, Councilmember Margie Teall, Councilmember Mike Anglin, Councilmember Sabra Briere, Councilmember Sandi Smith, Councilmember Tony Derezinski, Councilmember Christopher Taylor, and Councilmember Carsten Hohnke

Absent: Councilmembers Stephen Rapundalo, and Leigh Greden

The following preamble and resolution were offered by Councilmember Teall and seconded by Councilmember Briere:

#### RECITALS

Whereas, the City of Ann Arbor, Michigan (the "City") is authorized, pursuant to Act No. 99 of the Michigan Public Acts of 1933, as amended ("Act 99"), to enter into contracts for the purchase of lands, property or equipment for public purposes, to be paid for in installments over a period of not to exceed 15 years or the useful life of the property acquired, whichever is less; and,

Whereas, the City entered into an Installment Purchase Agreement dated December 16, 2003 (the "Agreement"), pursuant to Act 99, to acquire from the Ann Arbor YMCA, a Michigan nonprofit corporation (the "Seller"), a parcel of real property within the City, located at 350 South Fifth Avenue, and all buildings and other improvements thereon (the "Project"), at a purchase price of \$3,500,000.00; and,

Whereas, the Bank of Ann Arbor (the "Bank") financed the purchase price of the Project by acquiring the rights of the Seller under the Agreement and by receiving an assignment of the Seller's rights in the Agreement; and,

Whereas, the Agreement currently bears interest payable quarterly at the tax-exempt rate of 3.89% per annum, with the original principal balance of \$3,500,000.00 still outstanding; and,

Whereas, it is in the best interest of the City to extend the maturity date of the Agreement by five years; and,

Whereas, the City requested proposals from several financial institutions for the terms of the purchase and five-year extension of the Agreement, with the provision that the Agreement may be prepaid in whole or in part, without penalty, following the first year of such extension; and,

Whereas, the proposal of the Bank to extend the maturity date of the Agreement by five years, at the

same interest rate as currently provided, will result in the lowest interest cost to the City.

## RESOLUTIONS

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The proposal of the Bank of Ann Arbor to extend the maturity date of the Agreement by five years at the Agreement's current interest rate (the "Extension") is hereby approved.
2. The Mayor and the City Clerk are hereby authorized and directed to execute, acknowledge and deliver an amendment to the Agreement providing for the Extension after approval of as to form by the City Attorney.
3. The Project has a useful life extending beyond fifteen (15) years, and the aggregate principal amount of the Agreement and of all outstanding installment purchase obligations of the City under Act 99 does not exceed 1.25% of the equalized assessed value of the real and personal property in the City.
4. The City hereby agrees to include in its budget for each fiscal year during the term of the Agreement an amount sufficient to pay when due the principal of and interest coming due under the Agreement during such fiscal year. In addition, the City hereby pledges to levy in each fiscal year ad valorem taxes on all taxable property in the City in an amount which, together with other funds available for such purpose, shall be sufficient for the payments required under the Agreement in such fiscal year, provided that any such tax levy is subject to existing charter, statutory and constitutional tax limitations.
5. The City covenants that, to the extent permitted by law, it shall take all actions within its control necessary to maintain the exclusion of the interest component of the payments due under the Agreement from the adjusted gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986, as amended.
6. The Mayor, the City Clerk, the City Treasurer, the Chief Financial Officer and the City Administrator, severally, are authorized to act on behalf of the City in executing and delivering all agreements, documents, certificates, financing statements and other documents as may be necessary to consummate the transactions contemplated by this Resolution, and to pay costs incidental to the Extension, including bond counsel fees and other incidental transaction costs.
7. The obligation of the City to make the payments required under the Agreement is a full faith and credit general obligation of the City, subject to applicable constitutional, statutory and charter limitations.
8. This Resolution shall be effective immediately upon its adoption.
9. All resolutions and parts of resolutions, insofar as they conflict with the provisions of this resolution, are hereby rescinded.

A roll call vote on the foregoing resolution was taken, the result of which is as follows:

YES: Councilmembers Mayor John Hieftje, Councilmember Marcia Higgins, Councilmember Margie Teall, Councilmember Mike Anglin, Councilmember Sabra Briere, Councilmember Sandi Smith, Councilmember Tony Derezinski, Councilmember Christopher Taylor, and Councilmember Carsten Hohnke, 9;

NO: Councilmembers Stephen Rapundalo, and Leigh Greden, 0;

ABSTAIN: 0.

THE RESOLUTION WAS THEREUPON DECLARED ADOPTED.

## CERTIFICATION

I, the undersigned, the duly qualified and acting City Clerk of the City of Ann Arbor, Washtenaw County, Michigan, do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a regular meeting held on December 1, 2008, the original of which is on file in my office, and that such meeting was conducted and public notice thereof was given

pursuant to and in compliance with Act No. 267, Michigan Public Acts of 1976, as amended, and that minutes of such meeting were kept and are available as required by such Act.

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Jacqueline Beaudry, City Clerk

Dated: December \_\_, 2008