



## Legislation Text

---

**File #:** 12-0814, **Version:** 1

---

Resolution to Approve 618 South Main Redevelopment Project Brownfield Plan, 618 S. Main Street, Ann Arbor, MI (BRC Recommendation: Approval - 3 Yeas and 0 Nays)

Attached is a resolution to approve the 618 South Main Redevelopment Project Brownfield Plan. Approval of this resolution will allow the brownfield plan to advance to the Washtenaw County Brownfield Redevelopment Authority (WCBRA), which may authorize Tax Increment Financing (TIF) to reimburse the developer for the eligible activities identified within the Plan.

The proposed planned project site plan for 618 South Main includes a seven-story, 153,133-square foot residential building consisting of 190 apartments, 121 understructure parking spaces, 89 bicycle parking spaces, and pedestrian amenities along South Main, Ashley and Mosley Street. The petitioner has requested a planned project modification to allow greater building height (85 feet compared to the D2 Downtown Interface maximum of 60 feet) in exchange for creating a greater building setback along the South Ashley property frontage.

The 618 South Main property, which is located in the Downtown Development Authority district, was identified as potentially eligible for brownfield financial incentives after a finding that the property contained contaminants in the soil exceeding state cleanup criteria. The petitioner is requesting City Council approval of a Brownfield Plan, in addition to a \$650,000 grant that will be reimbursed to the developer by the Downtown Development Authority (DDA) over a period of four years. The DDA grant is the primary local match supporting the Brownfield Plan. The DDA authorized this grant to cover the following project elements:

- Streetscape costs for the sidewalk adjacent to the project on Mosley and Main Streets
- Streetscape costs for the Main Street sidewalk north of the project to Ashley Mews (west side)
- Rain garden to infiltrate storm water, rather than release it into the City storm system
- Upsizing the water main under Ashley Street to a 12" pipe

Soil samples at the property revealed several volatile organic compounds (VOCs) and polynuclear aromatic hydrocarbons (PNAs) in concentrations that exceed the Michigan Department of Environmental Quality's ("MDEQ") Generic Residential Cleanup Criteria. Therefore, the Property is an "Eligible Property" as defined by Act 381 of 1996, as amended, because it has been determined to be a "facility" as defined in Part 201 of the Natural Resources and Environmental Protection Act ("NREPA").

The Property contains two, single-story commercial buildings that will be demolished to make way for the new residential building. Eligible activities, as defined by Act 381 of 1996, as amended, will be conducted as part of the project. The overall estimated investment for the project is approximately \$39 million (net of TIF interest). The Brownfield Plan includes approximately \$3.7 million in eligible activities, which will be reimbursed through local and state property tax increment revenues. Construction is anticipated to begin in late 2012/early 2013 and will continue until estimated completion in the 2014.

This Plan has been created for the purpose of facilitating the redevelopment of the Property and to allow for the application of tax increment financing from local and state property tax increment. The eligible activities estimated in the Brownfield Plan include the following:

- **Baseline Environmental Assessment Activities:** Phase I and II environmental site assessments and baseline environmental assessments will be completed on behalf of future owner (s)/operator(s) to provide an exemption from liability for existing contamination.
- **Due Care:** Due care activities will include the site investigations for characterization of soils and dewatering if water is encountered during excavation.
- **Additional Response Activities:** It is expected that certain soils excavated during the construction process will be disposed of at an appropriate disposal facility.
- **Demolition:** The existing buildings will require demolition. In addition, certain site improvements will be demolished in preparation of site redevelopment. Demolition activities will include proper disposal of non-reusable or non-recyclable building materials. This may include items such as the removal of existing unusable site improvements, paving, concrete, foundations, curbs, sidewalks, etc.
- **Lead and Asbestos Abatement:** Lead and asbestos materials will be abated in the buildings as required.
- **Infrastructure Improvements:** Infrastructure improvements will include water, storm sewer and sanitary sewer upgrades, street repair and improvements to streets, sewer disconnects, sidewalks, curbs, streetscape improvements such as benches, plants and landscaping, alternative storm water management and traffic control and erosion control associated with these activities. In addition, infrastructure improvements will include sewer, water and footing drain disconnects. Eligible Activities will include all eligible soft costs directly related to the infrastructure improvement activities, which include design and engineering fees.
- **Site Preparation:** Various site preparation activities will be required including staking, geotechnical engineering, clearing and grubbing, construction access, construction facility, traffic control, erosion control, site control, excavation of unstable material and to support underground parking, special foundations, fill material, dewatering, land balancing, grading, utility relocation, soil compaction and sub-base, cut & fill operations and temporary sheeting/shoring. Eligible Activities will include all eligible soft costs directly related to the site preparation activities which includes design, engineering and testing.
- **Interest:** Interest at 4% on MEGA and MDEQ eligible activities calculated per MEGA and MDEQ Guidance.
- **Contingencies:** A contingency of 15% on the eligible activities listed above (does not include the interest amount).
- **Plan Preparation and Development:** Reasonable cost for development and preparation of the project brownfield plan and detailed work plan.

- MDEQ and MEGA Work Plan review fee: Costs incurred for MDEQ and MEGA Act 381 Work Plan review.

It is estimated that redevelopment of the Property will be completed in less than two years and that it will take approximately twenty-two (22) years to be reimbursed for eligible costs through tax increment revenues. In addition, once all eligible costs are reimbursed, funds will be captured for the county-wide local site remediation revolving fund. Therefore, the capture will begin in 2014 and will remain under the Plan to the extent that all eligible activities undertaken in this Plan are repaid, but in no event will the Plan exceed the maximum duration provided for in (MCLA 125.2663(1)(f)).

The Brownfield Plan has been submitted and processed in accordance with the City of Ann Arbor Brownfield Program and Washtenaw County Brownfield Redevelopment Authority (WCBRA) procedures. The Brownfield Review Committee met on May 29, 2012 and June 11, 2012 and recommended that City Council approve the Brownfield Plan.

Both the Brownfield Plan and the related 618 South Main Planned Project Site Plan will be considered by City Council after holding public hearings on June 18, 2012. The Washtenaw County Brownfield Redevelopment Authority (WCBRA) will consider the plan and the Washtenaw County Board of Commissioners will review the plan subsequent to Council action. If WCBRA makes any changes to the plan after it is reviewed by City Council, the plan will be sent back to the BRA for consideration of the changes.

Attachment: 6/11/12 Draft 618 South Main Redevelopment Brownfield Plan  
6/11/12 Tax Increment Financing Analysis

Submitted by: Brownfield Review Committee - Councilpersons Higgins, Smith, and Kunselman  
Prepared by: Wendy Rampson, Planning Manager, and Matthew Naud, Environmental Coordinator  
Reviewed by: Brownfield Review Committee  
Approved by: Steven D. Powers, City Administrator

Whereas, 618 south main, LLC has requested approval of the 618 South Main Redevelopment Brownfield Plan in order to pursue tax increment financing through the Washtenaw County Brownfield Redevelopment Authority:

Whereas, The Washtenaw County Board of Commissioners established the Washtenaw County Brownfield Redevelopment Authority (the "WCBRA") and adopted the Brownfield Redevelopment Plan for Washtenaw County (the "Plan"), which facilitates the implementation of plans relating to the identification and treatment of environmentally-distressed areas within the County of Washtenaw, pursuant to and in accordance with the provisions of the Brownfield Redevelopment Authority Act, being Act 381 of the Public Acts of the State of Michigan of 1996, as amended (the "Act");

Whereas, The Act requires the explicit consent of each local governmental unit to be included in the Authority Zone, and that the County resolution included a provision that the Proposed Brownfield Redevelopment Zone will include all local governmental units within the County that pass a resolution approving the inclusion of the Brownfield Redevelopment Zone;

Whereas, The Ann Arbor City Council passed Resolution R-24-1-02 to include the City of Ann Arbor in the Washtenaw County Brownfield Redevelopment Authority and developed the Brownfield

Implementation Plan to describe the Brownfield process in the City;

Whereas, The Brownfield Implementation Plan allows for public participation and comment and allows the City of Ann Arbor to use a more restrictive clean up standard for each project based on the Current Part 201 Residential clean up standard of the Natural Resources and Environmental Protection Act (“NREPA”) and a  $10^{-6}$  (10 to the -6<sup>th</sup> power) risk level for carcinogens;

Whereas, The 618 South Main property was identified as potentially eligible for Brownfield financial Incentives after a finding that the property contained contaminants in the soil exceeding the generic residential cleanup criteria of Part 201;

Whereas, The Developer conducted a public presentation of the Plan on June 12, 2012, which described site conditions and their intent to pursue tax increment financing for this project;

Whereas, The Developer has paid the application fee for City review of the application;

Whereas, the Downtown Development Authority met on June 7, 2012 and unanimously authorized a matching grant in an amount not to exceed \$650,000, with the DDA’s grant dollars to be used to address the cost of streetscape, water main and storm water improvements;

Whereas, On May 29, 2012 and June 11, 2012 the Brownfield Review Committee (“Committee”) met to review the proposed Brownfield Plan and its associated agreements, and being fully apprised of the physical condition of the property, intended cleanup, and redevelopment and tax capture, recommended approval of the petition to City Council and WCBRA;

Whereas, The Plan would enable the Developer to seek tax increment capture on a portion of the project;

Whereas, The reimbursement by the WCBRA is for actual eligible expenses only;

Whereas, The burden is on the developer to build the project and pay taxes in order for tax capture and reimbursement to occur;

Whereas, The City is not liable for any costs associated with this project if the project is not built or if it fails to achieve the estimated taxable value;

Whereas, Local tax increment revenues to be captured for the payment of interest shall not exceed the current proportional share of the total interest figure included in the Plan. Based on the current capturable millage split, the local interest portion is projected to be \$171,105;

Whereas, It is understood that neither the initiation of the review process by the WCBRA for development of the Brownfield Plan nor the recommendation of the Brownfield Plan to WCBRA by the City is a guarantee that it will be approved by the Washtenaw County Board of Commissioners, the MDEQ or that financial incentives will be obtained; and

Whereas, The Brownfield Review Committee recommends the Brownfield Plan for action by City Council;

RESOLVED, That City Council approve the 618 South Main Redevelopment Brownfield Plan submitted by 618 south main, LLC, dated June 11, 2012;

RESOLVED, That the City Clerk be directed to submit a copy of this Resolution to the Washtenaw County Board of Commissioners as documentation of the City's consideration and approval of the Brownfield Plan; and

RESOLVED, That any changes to the Brownfield Plan after the date of this Resolution will require review by the Brownfield Review Committee and approval by City Council.