



## Legislation Text

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**File #:** 16-0025, **Version:** 2

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Resolution to Affirm and Approve CORE as the selected developer of 319 South Fifth and Authorize the City Administrator and City Attorney to Begin the Negotiation Process for Sale of the Property On March 17, 2014, City Council passed a resolution (R-14-098) directing the City Administrator to market 319 S. Fifth Ave (also known as the "Library Lot") for sale.

With the resolution, City Council expressed a desire for development of the site to be a mix of uses including commercial, residential and public space. As a condition for development rights, Council wanted the City to seek, at a minimum, that any development includes the following features: public open space, private maintenance of the public space, and pedestrian access to the public space. Council indicated it would select the purchase offer that best responds to mixed-use, density, integration with surrounding uses, and the public space.

On April 7, 2014, City Council passed a resolution (R-14-0334) regarding an Urban Public Park Location on the Library Lot Site. This included a desire for a public space to be approximately 12,000 square feet with creative use of the space and that the City would work with the developer of the remaining portion of the Library Lot site to ensure that the public space and adjacent development complement and support each other's successful uses.

Furthermore, on April 7, 2014 Council adopted a resolution (R-14-172) recognizing the needs for additional affordable housing in the City and directing that 50% of any and all proceeds, after fees and closing costs, from the sale be allocated to the Affordable Housing Fund.

Following a competitive selection process, staff retained CBRE to assist the City with the Library Lot transaction. CBRE conducted a national offering for proposals and assisted staff in evaluating the respondents, including assisting with interviews and follow-up questions and completing a best and final offers (BAFO) round with the finalists.

In considering Council's objectives for the site, staff recommends Council award the Offering for Sale to Core Spaces for the following reasons:

- Mixed Use - Core's proposal includes ground floor retail, office, residential and a boutique hotel. The large amount of square footage it proposes for ground floor active uses such as retail/restaurant ( 3,300+ SF) would enable a robust integration with the public open space, thus enabling both to be successful. In addition to hotel guests, this project would provide housing for 360+ new downtown residents who will live across the street from the Blake Transit Center, and within walking distance to jobs, services, and cultural amenities.
- Public Space - Core's proposal provides for an attractive and unique public space in downtown Ann Arbor as part of their development, with 12,000 square feet including public art, garden plaza elements, water features, flexible activity area, removable stage and attractive landscaping features.
- Density - Core's proposal balances the mixed-uses with a density that supports activating the

public space. The proposed density is only 520% FAR, which is less than the 700% FAR that could be achieved on this site by maximizing premiums.

- Financial Return - Core's proposal is the highest return to the City - \$10 million less normal fees and closing costs (50% of which would be distributed to the Affordable Housing Fund). Upon stabilization the property could generate approximately \$2.35 million in annual property taxes. The City's portion of these taxes could be up to \$1 million annually depending on whether the DDA's cap has been met at that time.
- Conceptual Design - Core's proposal provides a design that will enhance the skyline and downtown. Proceeding with Core's proposal will still require that the design be reviewed through the City site plan review process, which includes Planning Commission and the Design Review Board and City Council. However, the current design satisfies general planning and building expectations.
- Experience - Core has an experienced development team, capacity to perform the project, and a demonstrated ability to finance the project. The Core team has substantial urban development experience and enthusiastic references from public officials.
- Investment - Core Spaces will make an \$85 million plus investment in the downtown, generating economic development and jobs and contributing to the vibrancy of the civic plaza and the downtown.
- Parking - Core Spaces intends to utilize 200 parking spaces in the underground garage. Although they have offered to purchase the spaces for an additional \$5.0 million, they have also offered to lease them at market rates.

An award would mean the City would be authorized to enter into exclusive negotiations with Core Spaces in anticipation of a recommended Sale Agreement (8 votes required) for Council consideration no later than April 2016. At that point in time, the project would transition into the normal "site plan and development" phase. During this later stage, all the normal City requirements for developments and public engagement would begin.

A summary of Core Spaces' proposal is attached, including a comparison to the proposal received from the other finalist (CA Ventures). Both finalists have a good history of performance, are considered strong firms, and proposed a hotel component. Since multiple offers included a hotel component and the October 2014 Hotel Market Study indicated sufficient demand for a hotel, CBRE and staff believe the Core Spaces proposal is a viable response which adds an attractive, boutique hotel to downtown Ann Arbor.

It is important to note that the City's actions to-date have been as the property owner and not in its traditional site plan review role. Should Council award the project to Core Spaces and approve a Sale Agreement later in 2016, the project would start the traditional site plan review process. The positive development of the Library Lot block should substantially improve the public safety and pedestrian climate near the Library and Transit Center, including an inviting downtown civic plaza, and new residents and hotel guests who will support the downtown economy including restaurants, retail, and entertainment venues.

### **Background - Public Engagement**

The Library Lot and surrounding area has been a part of significant public engagement efforts dating back to at least 2012.

In January 2013, the DDA presented its Connecting William Street study, which included an online survey that received over 2,000 responses and multiple focus groups as well as public meetings. Council requested, and in November 2013 approved, the recommendations from PAC as guidelines for potential public space in downtown parks. PAC's outreach included an online survey with over 1,600 responses as well as multiple public meetings.

### **Background - Evaluation of Proposals**

In June 2015, the City received nine (9) responses to the Offering for Sale. Staff worked with CBRE to evaluate the developer's financial resources and experience as well as the qualitative and financial elements of the proposals. Using the policy direction included in the City Council Resolutions R-14-098 and R-14-091, five semi-finalists were interviewed and after further evaluation including follow-up questions and answers, two finalists were selected in August 2015 (Core Spaces and CA Ventures). Two public engagement meetings were held in October 2015 to assist the developer in obtaining community feedback. For those who couldn't attend the sessions, they were recorded by CTN. Online feedback was also solicited in November 2015 through the City's A2 Open City Hall. Finally, the developers had an open house in November where citizens could talk directly with the developers and provide feedback. In November 2015, the finalists also submitted their BAFO reflecting changes based on the feedback they had received. It should be noted that all of the proposals (including subsequent BAFOs) were made publicly available shortly following receipt by the City and throughout the process.

Both finalists' BAFOs include 12,000 square feet of public space along Fifth Avenue which is maintained and programmed by the developer, as requested by Council (R-14-091). Both are financially and technically capable of delivering a high quality project. Both also have experience in engaging community stakeholders.

For the reasons outlined above, staff recommends award of the project to the Core Spaces team.

### **Additional Information**

A website with information about the entire City process is available at <http://www.a2gov.org/departments/city-administrator/Pages/Library-Lot-RFP-Responses.aspx>.

Attached is a summary comparing the two finalist's Best and Final Offers.

Prepared by: Tom Crawford, Interim City Administrator

Reviewed by: Kevin McDonald, Senior Assistant City Attorney and Mary Joan Fales, Senior Assistant City Attorney

Approved by: Tom Crawford, Interim City Administrator

Whereas, the City Administrator was directed to list for sale 319 South Fifth and to retain Real Estate Brokerage Services (R-14-098);

Whereas, Under the authority granted him by Council, the City Administrator, after soliciting competitive bids, executed a contract for brokerage services with CBRE;

Whereas, CBRE conducted a national offering for proposals which resulted in the selection of two finalist CA Ventures and CORE;

Whereas, Evaluation of the finalists was based on the expressed desires of City Council for development of the site, the conceptual project planning, design, architecture, experience, financial

resources, experience with engaging community stakeholder and the overall benefit and value to the City;

Whereas, After due consideration and for the reason stated here and in the attached memorandum, the City Administrator recommends the selection of CORE, as the finalist with the best qualified offer; and

Whereas, City Council desires that CORE consider including additional public benefits in the development of the site beyond that which is proposed, including: affordable housing, additional elements of environmentally responsible design and construction, and improved pedestrian connectivity;

RESOLVED, That City Council affirm and approve the selection of CORE as the finalist with the best qualified offer;

RESOLVED, That the City Administrator and the City Attorney are authorized and directed to enter into contract negotiations with CORE and present a proposed Sale Agreement to City Council for its consideration by the second meeting in April 2016;

RESOLVED, That the City Administrator and the City Attorney are authorized and directed to negotiate the following additional community benefits to be included in a proposed Sale Agreement, if agreement regarding such terms can be reached with CORE:

- The inclusion of 10% of all housing units as workforce housing (affordable housing for lower income households, as defined by Ann Arbor City Code, rented at 60% to 80% of AMI), with possible funding to offset lower rental revenue to be provided by the Ann Arbor Downtown Development Authority and the City of Ann Arbor;
- A higher level of LEED Certification than the proposed LEED Silver designation (with a preference of LEED Platinum), or proof of the inclusion of additional resource and energy efficient construction and building performance standards equivalent to such higher level of LEED Certification;
- Building and site design that provides improved pedestrian connectivity from Fifth Avenue to Liberty Plaza park, as well as from Blake Transit Center to the site;

RESOLVED, That should at any time the City Administrator and City Attorney determine the negotiations with CORE to be ineffective, they shall immediately report to City Council the status of the negotiations and specific recommendations, including but not limited to ceasing all activities with CORE; and

RESOLVED, That the selection of CORE does not alter the process required or approvals needed for the sale, lease and development of the property.

**As Amended by Ann Arbor City Council on January 19, 2016**