



Legislation Text

File #: 16-1560, **Version:** 2

Resolution to Authorize the Sale of Development Rights above the City's Underground Parking Structure Located at 319 S. Fifth Ave. to Core Spaces and Appropriate Funds for Outside Legal Services **(8 Votes Required)**

On January 19, 2016, City Council passed a resolution (R-16-021) directing City staff to negotiate a Sales Agreement for 319 S. Fifth Ave (also known as the "Library Lot") with Core Spaces. Council directed the terms of the sale to include the terms in the Core Spaces' response to the City's Offering Memorandum and requested that the following additional community benefits be included in a negotiated sale agreement, if such terms could 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 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.

Council discussion at the time Resolution R-16-021 was adopted also reflected interest in the following:

- Sufficiency of parking for the facility (estimated to at the time be approx. 200 spaces)
- The building design should adhere to the City of Ann Arbor Downtown Design Guidelines
- The Public Plaza should be operated and maintained by Core Spaces but with public use of the site consistent with a City park.

The City has completed negotiations and in response, Core Spaces has provided a written supplement to their proposal, attached hereto, that addresses these items.

The Administration recommends that Council authorize the sale of the development rights to Core Spaces consistent with Core Spaces' response to the City's Offering Memorandum and the attached negotiated terms. The Administration further recommends that Council direct staff to prepare documents for the sale of the development rights that incorporate the requirement that 12% of the housing units be workforce housing units at 150% of Fair Market Rent available to households with incomes between 60% and 100% of AMI (equivalent to \$1,023.00/mo for a studio, \$1,153.00 for an efficiency, & \$1,276.00 for a one bedroom at the FY2016 HUD rates.)

Staff also recommends that the City request that the DDA consider funding all or a portion of an

additional 2.5% of workforce housing units at 150% of Fair Market Rent for up to \$1,475,000.00 from its Housing Fund.

Authorizing the sale of the development rights to Core Spaces will complete the award process for the sale. It will not alter the City's site plan process. Core Spaces will still be required to follow the City site plan review process including design review, Planning Commission recommendation, and site plan approval by City Council. Likewise, Council authorization of this resolution will not alter the requirement for Council approval of other agreements related to, but not incorporated into, the sale agreement. Closing will be scheduled in accordance with the terms of the sales agreement and the conclusion of all necessary due diligence by the parties.

The City Attorney's Office will complete all transaction documents with the assistance of outside counsel. We anticipate an initial contract to complete the sale agreement and to assess and begin drafting other transaction documents of \$25,000.00. An appropriation transferring funds from the General Fund fund balance to the FY17 Finance Administration budget for this purpose is included in this authorization.

Prepared by: Tom Crawford, CFO/Finance and Administrative Services Area Administrator

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

Approved by: Howard S. Lazarus, City Administrator

Whereas, The City Council directed staff on January 19, 2016 to enter into exclusive negotiation with Core Spaces in anticipation of a recommended sale of the above ground development rights to 319 South Fifth (i.e., excluding the underground public parking structure) with the request to incorporate a number of desired terms (R-16-021);

Whereas, The City Administration and the City Attorney's Office engaged Core Spaces based on the terms identified by Council in Resolution R-16-021 and Core Spaces has responded in the attached supplemental letter describing the additional provisions of the proposed agreement;

Whereas, Core Spaces has provided the option of 12% of the housing units as workforce housing being incorporated at 150% or 120% of Fair Market Rent;

Whereas, Core Spaces has offered an additional 2.5% of the units (9 units) at 150% of Fair Market Rent upon receipt of \$1,475,000.00; and

Whereas, Staff believes the sale of the property under the proposed terms represents a public benefit to the City;

RESOLVED, That City Council authorize the sale of the above ground development rights of 319 S. Fifth Ave. to Core Spaces with the terms stated in Core Spaces' response to the City's Offering Memorandum, Core Spaces' Supplemental Letter and the additional terms stated in this Resolution, contingent on receipt of a public advice memorandum from outside bond counsel that the proposed Core Spaces project and the use of the bond financing for infrastructure does not threaten the tax advantaged status of the Build America Bonds used to finance the underground parking structure and related infrastructure;

RESOLVED, That City Council waives any attorney-client privilege necessary to allow outside bond counsel to prepare the above advice memorandum in a form that is suitable for public distribution;

RESOLVED, That the terms of the agreement shall incorporate 12% of the units to be workforce housing at 150% of Fair Market Rent for household incomes ranging from 60% to 80% AMI;

RESOLVED, That the terms of the agreement shall also incorporate the optional additional 2.5% of units of workforce housing at 120% of Fair Market Rent for household incomes ranging from 50% to 80% of AMI in exchange for the payment of \$1,475,000.00 and that Council requests that the DDA consider this purchase from its Housing Fund;

RESOLVED, That City Council approve an appropriation of \$25,000.00 from the General Fund fund balance to the FY17 Finance Administration budget and increase the FY17 Finance Administration budgeted expenditures for legal services for the sale of the 319 S. Fifth Development Rights, with the funds to be available for expenditure without regard to fiscal year; and

RESOLVED, That the Mayor, Clerk and City Administrator be authorized to execute necessary documentation, after approval as to form and substance by the City Attorney, to complete the sale of the above ground development rights of 319 S. Fifth Ave.

As Amended and Approved by Ann Arbor City Council on April 17, 2017