



TO: Mayor and Council

FROM: Milton Dohoney Jr., City Administrator

CC: Derek Delacourt, Community Services Area Administrator
Jennifer Hall, Executive Director, Ann Arbor Housing Commission
John Fournier, Deputy City Administrator
Marti Praschan, CFO

SUBJECT: July 1, 2024 Council Agenda Response Memo

DATE: June 27, 2024

~~CA-9 – Resolution to Approve a Community-Based Crisis Response Pilot Grant Contract with the Michigan State Police and to Accept a Grant in the Amount of \$483,000.00 (8 Votes Required) (deleted from July 1 agenda)~~

Question: The City’s attempts to date to establish an unarmed crisis response program have not been successful. A viable private/nonprofit partner has not been identified despite two rounds of an RFP process. The City has four years to establish a program under the requirements of this grant. What is staff proposing to do next to establish a program so these funds can be utilized? (Councilmember Briggs)

Response: At this point, the City is still in the study phase of what a proposed unarmed crisis response program would look like. Once we are done studying and crafting a proposal, it will be shared with City Council and the public, and hopefully implemented. As we are moving through this study phase staff is still **not** contemplating bringing forward a program that is led by the Police Department.

Question: Will the City be working with the MI State police to establish the community response program or merely receiving funding from that source? (Councilmember Disch)

Response: The City will be accepting the funds and creating its own program. The Michigan State Police will not be involved in the administration of the program whatsoever.

CA-10: Resolution to Sell 1510 E. Stadium Blvd. to the Ann Arbor Housing Development Corporation (\$35,000.00) (8 Votes Required)

Question: Could staff clarify this point in the memo: "The Police Department still has vehicles and equipment stored in the bay area of Fire Station #2 that they agreed can be moved to 2000 S. Industrial location. That storage will require an annual rent payment to the Water Supply Fund, owner of the property. The sale amount of \$35,000.00 will cover five years of the Police Department share of the rent payment and thereafter the Police Department share will be absorbed in the Police Services General Fund Operations and Maintenance Budget." Council is approving the AAHC's purchase of Fire Station #2 for \$35k, an amount that the City will use to pay 5 years' rent to the Water Supply Fund for space in 2000 So Industrial, which will be the future home of the Police Department equipment that is currently stored at Fire Station #2, which is soon to be the new, temporary location of the AAHC (which has outgrown its current space at 2000 So Industrial). Once those funds are exhausted, the rental will come out of the General Fund/Police Budget. Is this sale price serving, on the one hand, to protect the Gen Fund from a \$35k loss while, on the other hand, settling on a reasonable below market price for AAHC to purchase Fire Station 2? (Councilmember Disch)

Response: The 2022 appraised value of 1510 E. Stadium Blvd., station #2, was \$470,000. The sales price of \$35,000 is well below market value and covers the unanticipated general fund rent expenditure for a 5-year period allowing time for Police to develop a plan to absorb the additional obligation.

DC-2 - Resolution to Endorse the Use of a Broker for the Sale and Development of Kline's Lot

Question: Would AAHC staff provide a brief reminder regarding where the Kline's Lot ranks in the prioritization of City-owned sites for Affordable Housing project development? Please lay out the advantages/disadvantages of different uses of this property (e.g. AAHC develops affordable housing on it or finds a partner to do that vs. proposed sale of the property). (Councilmember Disch)

Response: The AAHC's 2019 evaluation of 12 City owned sites includes several components: financial feasibility, complexity, zoning, and potential negative site issues. In 2019, the Kline's lot was identified as a high priority because it has D1 zoning and is in a financially competitive location to secure financing. The property is also large and complex. Developing it will have a significant impact on downtown businesses, so we felt that it requires a broader community discussion about parking, residential development and commercial development in the downtown before it is developed to ensure community support. The AAHC is currently developing multiple sites that are a higher priority for a variety of reasons. The AAHC does not currently have the time and resources to conduct or lead those community discussions, so the AAHC has not prioritized this site for development at this time.

If the AAHC were to develop the property, it would partner with a private developer that has the financial and technical capacity to develop a large urban in-fill mixed-use, mixed income site. The AAHC would not develop the site with 100% of the units affordable to households at 60% AMI or less but it would include units affordable to households at 60% AMI or less. The AAHC would work with City Administration, the DDA, and local businesses to evaluate options, address concerns, and ensure that there is broader community support for the development vision. The pros are the cons depending on one's perspective. The AAHC is a governmental entity subject to the OMA and FOIA. The AAHC is local, and are City employees, so are more accountable to the public than private developers. The AAHC would not be able to focus on this site for development purposes for about two years.

If the property were sold to a private developer and the site is developed without any housing that is affordable to households at 60% AMI or less, then it would make sense for the developer to contribute funding to the City's affordable housing fund and/or the City to contribute sales proceeds to the affordable housing fund to meet the City's affordable housing goals. The pros are the cons depending on one's perspective.

Question #1: How do we make ensure a broker is selected without bias and through a competitive process? (Councilmember Briggs)

Response: We would follow the same competitive procurement practices we do for professional services agreements in the City. We are not required to do an RFP, and in this instance, we recommend that an RFP would be counterproductive since it is unlikely that a commercial broker or seller's agent would be familiar with this process at all or be interested in responding to it. But we would likely run a phone quote process where we create a scope of work and do our own outreach to solicit fee proposals and work statements. We would then select the best fit firm considering their proposals and their costs. This is how we do a lot of our procurement for these types of contracts—pretty much all of our agreements for outside legal counsel are done this way, many of our executive recruitment contracts are done this way, and this is how we do contracts for management coaching, etc. For specialized work like this where most of the firm's business comes from non-governmental sources doing a direct solicitation/phone quote is much more efficient and generally produces a better result in terms of value for dollars spent.

Question #2: The resolution states that a commercial broker will “provide advice on the City led creation of a vision for the Kline's Lot.” What process would be used to create a vision for development of the Kline's lot.” Who would be engaged and how? What planning documents or processes would be used to establish this vision? How would public feedback, not site specific, but pertaining to the downtown at large that is being acquired through the Comprehensive Planning Process and DDA planning projects inform the development of a scope of work? If a public facing process is not anticipated, please outline that alternative approach. (Councilmember Briggs)

Response: The intention of this resolution is to provide a way forward for the development of the Kline's Lot that has a greater chance of success than any of our previous failed attempts. One issue that Ann Arbor encounters often when it is involved with land development, whether for its property or with a private property, is that we tend to prescribe engagement sessions, public meetings, and public input opportunities to the point where processes become biased toward the status quo and extended into timelines that make it difficult to successfully complete a development. One of the main recommendations of the Economic Development Report, which City Council endorsed, is to get our engagement processes right and to invite the public into processes where there is value to be added and when there are important questions to be answered. Otherwise, we are creating excessive engagements that community members will find to be frustrating, ineffective, and that have the potential to jeopardize good projects that the wider community would otherwise support.

With that in mind, we have to ask what the value of this kind of engagement is on the front end of this process? City Council has already adopted guidance for the staff to prioritize housing development in pursuit of housing affordability, sustainability, placemaking, and tax base improvements as we pursue land development—including this development. We are engaged in a comprehensive land use plan update wherein the City is collecting feedback and guidance from the community on development in the downtown. We also had public meetings related to the SI proposal wherein members of the public provided their thoughts on what should be located at this site. At this point, we feel that there has been a lot of recent engagement with the public and direction from City Council on how to go about scoping and developing this site and sites like it, and our recommendation is to move forward with some sort of development process at this site. A commercial broker may be the best path forward, and we appreciate City Council's interest in this option.

Question #3: If this process was married with an RFP or a more refined version of the economic development principles (limited guidance), would this be developed with Council/community input? Would this be approved by Council? (Councilmember Briggs)

Response: We would propose that City Council approve a general scope or vision for what kind of development is desired at this property, working with a commercial broker or seller's agent to craft that document. However, we would not recommend advertising the property with a pre-entitlement, nor would we recommend requiring a very detailed description of what the city expects from the property. A broker should have the flexibility to survey the market and solicit a wide range of firms to develop the site.

Question #4: Do other cities use brokers, rather than city staff, to scope community visions for redevelopment of city-owned sites. In the absence of a staffed Economic Development office, why not utilize the professional expertise of our Planning/Community Development staff to prepare a vision/scope of work for sale of the property? (Councilmember Briggs)

Response: It varies from city to city, but other cities do consult with commercial brokers to assist in the development of land. However, in many other cities there are well staffed

economic development offices and land development authorities that have these capabilities in house. They staff whose job it is to monitor and be involved in commercial real estate deals, to market properties, and negotiate land development deals, and to manage public/private partnerships for development. Ann Arbor has none of that, and we posit that part of why we are so bad at this is that the City has been skeptical of any professional with competency that could help to get these deals done. But we really do need that help.

Question #5: Staff's recent report entitled "A New Approach to Economic Development" notes that a key challenge of placemaking in an area of the city like Lowertown is that it lacks identity. That is not the case with the area surrounding the "Kline's Lot." Rather Main Street is one of the most beloved and photographed areas of Ann Arbor. One of the most common criticisms of the recent Sports Illustrated proposal was that it did not honor this identity. The report also notes that the intentional investment in "*quality buildings and spaces, public amenities, streetscapes, and other places that are desirable and attractive to people*" is critical to placemaking. However, we know that these elements substantially increase the cost of development and one common concern I hear from residents is that they have not been integrated in recent private developments in the downtown. If the goal is to maximize the financial return to the City, these elements stand a good chance of being absent from proposals. How does staff view the balance between the community desire for placemaking and sustainable development and maximizing financial return to the City? (Councilmember Briggs)

Response: To be clear, the goal in developing this lot is not to maximize financial returns to the City. The goal would be to pursue a development that substantially achieves housing development in pursuit of affordability, sustainability, placemaking, and tax base improvements as much as is feasible, with each being a co-equal priority. Placemaking is an important part of the City's interests. However, placemaking is about more than just the aesthetic qualities of the building—which are subjective and can vary from person to person. Whether a building is architecturally interesting, or a good stylistic contribution to the built environment in the downtown, is often times in the eye of the beholder. Placemaking is, however, more about the use of the property than its visual aesthetic, though these concepts are not completely unrelated. Making a place means building something that people are likely to use, to use in diverse ways that encourage activation of the sidewalk and street space and is considered a destination for individuals looking for a downtown experience. Activation is the key, and design aesthetics should be viewed in that context.