



TO: City Council

FROM: Milton Dohoney Jr., City Administrator

CC: Joseph Giant, Economic Development Director
Marti Praschan, CFO
Mariah Walton, Deputy City Administrator

SUBJECT: Administration Recommendation – Potential Kline’s Lot Proceeds

DATE: April 20, 2026

The administration has been intentional about not bringing a proceeds recommendation for the Kline’s Lot until we made a complete strategic review of our community’s needs. This is a one-time opportunity as the city does not own any like parcels that could be easily leveraged in this manner. We expect to bring the actual purchase agreement in the near future. For context, please understand the project still has to progress through a series of administrative steps before it can move forward. However, that does not detract from reaching the purchase agreement plateau and bringing that forward. Approving the purchase agreement will not mean that you are agreeing to this recommendation or rejecting it out of hand. That is to be debated and acted upon in the future as a result of a resolution the administration will be bringing for your consideration.

This recommendation is based upon the maximum the city would be paid, if the developer is able to put the maximum number of housing units on the site per their RFP submittal. If for any reason that number is decreased as it moves through the process, the sale price would be adjusted downward accordingly. In that instance the administration would need to modify the recommendation we are providing tonight.

It is no secret that our city has a myriad of needs. Some of them need to be acted upon as soon as it is feasible to do so. All of the items presented in this recommendation have sound reasoning behind them. As these are one-time resources for one-time purposes any continuation of any of the initiatives would have to be supported by other sources.

Your consideration of this recommendation is appreciated.

Recommendations:

We will not have the exact amount of the sale price until there is a confirmation of the number of units that will actually be built on the site. The items presented below are in prioritized order.

Kline Proposed Sale Price - \$17.4M

1. **CBRE fee - \$500K;** This is non-negotiable and must be paid first.
2. **City Reserves - \$2M;** It is fiscally prudent to refrain from investing all of the proceeds in projects, and to preserve a portion for our financial stability.
3. **SEU Working Capital - \$2M;** In working on the development of the utility we have been made painfully aware that creating something with no assets is extraordinarily difficult. The idea here is to award the SEU a \$2M Capital Grant. Making it a loan to be paid back later is simply unworkable. It is also appropriate for the City to invest in its own creation.
4. **Housing Commission - \$2.5M;** The City could invest these funds into their payment in lieu account, or we may want to designate a specific project that we want to support.
5. **Alpha House Capital - \$250K;** This investment would close the gap needed to establish a Family Shelter on the St. Joseph Campus. Although this campus is not in the city limits it is felt that this addition might also alleviate some of the pressure in the downtown area.
6. **Shelter Association of Washtenaw County - \$500K;** The Delonis Center is operating beyond its current capacity. The need to provide services is steadily increasing and the administration has been in ongoing discussions on the best way to address the issue. The new leadership at the Center has concluded that they need a second facility located somewhere within the County to continue their work. This allocation would be a grant for capital acquisition only for a 2nd shelter. The administration has held discussion with Washtenaw County about matching the City's support.
7. **Establish a Strategic Acquisition Fund - \$4.6M;** This idea was mentioned when I presented last year's administrator's proposed budget. It would enable the City to become more proactive in protecting our tax base. We would acquire parcels for strategic reuse consistent with our interests. It is envisioned that this Fund would be under the leadership of the Economic Development Director. He would chair a support team comprised of: CFO, Community Services Administrator, Deputy City Administrator, and an EDC Board

representative. It is further envisioned that the Fund would be placed with the EDC to potentially allow more flexibility.

8. **Economic Development Due Diligence & Legal Services - \$500K;** In order for this new office to function properly there are certain elements of due diligence they need to routinely undertake when evaluating economic development opportunities. Sometimes that includes niche legal support that may need to come from an outside firm. The ED director and city administrator will collaborate with the city attorney to address the legal needs.
9. **Acquisition of the RMS System (Records Management System) - \$2M;** In order to take the next step in building police transparency we need to acquire a new RMS system. This will enable the department to break away from the limitations of CLEMIS, and provide more robust reporting that will benefit both local government, and the community at large. In addition to the acquisition cost there is also an ongoing cost that we will have to solve through the budget process.
10. **Fully Fund the Throne Contract - \$1M;** The City is in partnership with the DDA on this project that has drawn very positive feedback from the community. We have not solved for the City's portion of the contract over the 5-year period. This investment of one-time funds would ensure that we will continue providing a basic element of a functioning downtown.
11. **Dixboro Bridge Repair Grant Match - \$1M;** It is our understanding that the County is going to apply for a grant to perform the work, but there is a match requirement which we are obliged to pay since the ongoing viability of the bridge is of particular interest to City Parks rather than Washtenaw County.
12. **Ann Arbor Saline Road Street Light Project - \$550K;** With the coming of the Crescent Development there is heightened sensitivity about safety in that corridor. This would allow the City to say to community out there that this step will definitely be a part of the increased activity of the area. It includes adding 39 lights, and replacing the existing solar crossing lights.