STAFF REPORT

Transformational Brownfield Plan for 350 South Fifth Avenue

Report Date: January 6, 2026

Brownfield Plan Version: December 15, 2025

Introduction and Project Description

The 350 South Fifth Avenue development site, bounded by Fourth Avenue, Fifth Avenue, William Street and the Blake Transit Center in downtown Ann Arbor, was purchased in 2023 by the City of Ann Arbor Housing Commission ("AAHC"), through the Ann Arbor Housing Development Corporation ("AAHDC"), a Michigan non-profit corporation, whose sole member is the AAHC, with the intention of redeveloping the property to create new affordable housing. Through a competitive solicitation process, A2HC sought proposals from the development community to undertake the project as a public-private partnership.

AAHC selected Related Midwest and advanced a proposed redevelopment plan consisting of approximately 330 affordable housing units in a 20-story building, targeted to low- and moderate-income households earning up to 80 percent of Area Median Income ("AMI"), with approximately one-third of the units reserved for households at or below 30 percent AMI. The project will also include ground-floor retail and an expansion of the Blake Transit Center bus platform, doubling the number of off-street bus bays and incorporating new passenger amenities, a mid-block crossing, and other improvements.

The project will be the City and County's first using the "Transformational Brownfield" process authorized under Act 381. Under Act 381, Transformational Brownfield Plans must demonstrate:

> *"…a transformational impact on the local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan. To be designated a transformational brownfield plan, …it must be for mixed-use development, and must be expected to result in the following levels of capital investment:*
>
> > *(iii) In a municipality that is not a county and that has a population of not less than 100,000 and not more than 149,999, $75,000,000."*

The proposed investment of over $200,000,000 significantly exceeds this threshold. The project is considered mixed-use because it includes 6,500 square feet of ground floor retail. The site also qualifies for brownfield incentives as a Facility, with historical impacts from several constituents above state criteria. The necessary environmental mitigation will occur prior to construction.

Transformational Brownfield Plans allow for the capture of certain state taxes beyond traditional incremental increases in local property taxes in order to finance eligible activities and to ensure project financial feasibility. These may include construction-period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues.

This project represents a particularly effective application of the Transformational Brownfield tool because the subject property will be largely exempt from property taxes and will instead remit a

Payment in Lieu of Taxes (PILOT) to the City, with the exception of approximately 6,500 square feet of ground-floor retail space, which will remain taxable. As a result, brownfield capture funding will rely heavily on construction-period income and sales/use tax capture revenues, which are available only under the Transformational Brownfield framework.

All tax capture revenues other than local property taxes are administered by the State of Michigan and not by the County Brownfield Authority.

Below is the "Summarized Eligible Activity Table" from Section 2.2 of the Brownfield Plan, which presents the total estimated tax captured to be used to fund eligible activities.

SUMMARIZED ELIGIBLE ACTIVITY TABLE				
Project Name	**Gross Captured Taxes**	**WCBRA Admin Fee / Local Brownfield Revolving Fund**	**State Brownfield Fund**	**Maximum Reimbursement**
350 S Fifth Ave	$30,368,321	$291,942	$92,598	$29,983,781

The following table from Section 2.3 (page 19) of the Plan contains an estimate of all captured taxes, by source, comprising the developer-reimbursable capture of $29,983,781:

Tax Capture Revenue	**Total**
Construction PIT Capture	$2,371,104
Construction Sales / Use Tax Exemption	$3,059,371
Sales / Use Tax Capture	$4,255,241
Income Tax Capture	$18,258,037
Withholding Tax Capture	$478,286
Increased Property Tax Capture – School	$845,802
Increased Property Tax Capture – Local	$715,941
Total TBP Benefit	**$29,983,781**

The estimated total Property Tax capture is $1,946,283, of which $291,942 will fund County Brownfield Authority Administrative Operations, and/or Local Brownfield Revolving Fund capture. The estimated capture for the State Brownfield Fund (captured by the Authority and remitted to the State annually) is $92,598 and is included in the total property tax capture.

The $29,983,781 in developer-reimbursable captured taxes will address a financial gap in the project, rather than, as in traditional Brownfield Plans, to fund specific Eligible Activities such as environmental remediation or infrastructure improvements.

The project is located within the City of Ann Arbor Downtown Development Authority (DDA) district and anticipates formal adoption of the new DDA Development Plan. Pursuant to the new DDA plan, 70% of new property taxes are captured by the DDA and 30% of property taxes, as well as any land appreciation, will be captured under the Brownfield Plan.

For typical Brownfield Plans in the City, the process involves the City and County working collaboratively with the developer to draft a Brownfield Plan, securing City and County approvals, and then submitting an Act 381 Work Plan to the Michigan Economic Development Corporation (MEDC), the Department of Environment, Great Lakes, and Energy (EGLE), and/or the Michigan State Housing Development Authority (MSHDA), depending on the eligible activities proposed.

In contrast, under the Transformational Brownfield process, the MEDC serves as the lead governmental agency during the initial review and is responsible for determining whether a project meets the statutory requirements of Act 381. If those requirements are met, the MEDC formally invites the project to apply for Transformational Brownfield designation.

Following that invitation, the MEDC works collaboratively with the City, County, and development team to draft a Brownfield Plan that is acceptable to all parties. Accordingly, City and County staff, AAHC, the MEDC, and the development team have jointly developed the Brownfield Plan draft that is being presented for City consideration.

Local approvals for a Transformational Brownfield Plan follow the same sequence as other Brownfield Plans: City approval, followed by a recommendation from the County Brownfield Authority, and adoption by the County Board of Commissioners.

Brownfield Plan Review Criteria

1. Developer-reimbursable Brownfield TIF shall not exceed 20% of overall project investment. This limit does not apply to projects with $3 million or less in private investment, not including property acquisition costs.

   The intent of this standard is to ensure that public support does not exceed a reasonable proportion of private investment. However, for a 100 percent affordable housing development, substantial public investment is required to achieve the level of public benefit proposed. In this context, the level of public investment reflects what is necessary to deliver a fully affordable development at the targeted income levels.

   While this standard is not well suited to this project model, it is informative to apply it for illustrative purposes. Under this framework, approximately $30 million in developer-reimbursable tax capture generated from the Transformational Brownfield Plan represents approximately 15 percent of the estimated $200 million in new construction costs.

2. Brownfield TIF incentives shall not be reimbursed to (benefit) a Liable Party, nor used to finance brownfield activities that are otherwise the legal responsibility of a Viable Liable Party. Primary Responsible Parties are identified and pursued by EGLE.

   Plan meets standard. The development and ownership entity is not a Liable Party.

3. If a project includes residential land use, and Non-Environmental Eligible Activities are requested, and is not already paying a Fee in Lieu of providing affordable housing as part of a Planned Unit Development, affordable housing must be included. In those cases at least 15% of the total number of units must be provided to households that earn a maximum of 60% of the Area Median Income, with rents established using MSHDA rents and MSHDA PHA Utility Allowances, for at least 99 years.
   a. If for-sale residential units are proposed, AMI limits still apply and sales price will be limited to maintain affordability over the required affordability period.

   All of the proposed 330 units are affordable, with approximately 1/3 of the units affordable at or below 30% AMI, therefore meeting this standard.

4. If a project does not include residential land use, and is not already paying a Fee in Lieu as part of a Planned Unit Development, and Non-Environmental Eligible Activities are requested, a payment in lieu of providing the required affordable housing is required. The payment in lieu amount shall be $50,000 + 2% of the overall private investment, to be reserved by the Brownfield Authority and remitted to the City from first Tax Increment capture available for reimbursement to developer for Eligible Activities.

   This standard does not apply.

5. If only Environmental Eligible Activities are requested, affordable housing is not required, and the project will generally be supported with the assumption of the inherent benefits of a cleaner environment and protection of public health. The City strongly favors additional remediation beyond minimum required for Due Care and compliance with applicable environmental standards. Examples include remediation beyond property boundaries within adjacent street rights-of-way and properties where such actions will result in meaningful current and/or future protection of public health.

   This standard does not apply.

6. Additionally, Non-Environmental Eligible Activities will only be considered if:

   i. Total of non-environmental activities does not exceed environmental, unless the project provides affordable housing, or Fee in Lieu, in accordance with #4, above; AND

   The Plan meets this standard, as 100% affordable housing is provided and Non-Environmental Activities are not proposed.

   ii. Projects that can demonstrate the project meets MEDC requirements, and the MEDC has given verbal conceptual support for the project. However, projects may be supported that do not qualify for MEDC support, if determined to be a local priority;

The Plan meets this standard. The MEDC leads the project planning process for Transformational Brownfield Projects and has been closely involved in this particular process.

AND

iii. A real financial gap in project feasibility can be demonstrated.

A real financing gap is present because, absent the Transformational Brownfield Plan (TBP) authorized under Act 381, the project's projected cash flow does not achieve minimum lender underwriting standards and therefore cannot be feasibly financed on conventional market terms.

7. Public Infrastructure Non-Environmental Eligible Activities must demonstrate an area-wide benefit, and not only serve the proposed development. The proposed infrastructure upgrade shall not be an improvement that would otherwise be required to support the development. The City also encourages infrastructure that result in exemplary improvements in energy efficiency.

   Through collaboration with the Ann Arbor Area Transportation Authority (AAATA), the project incorporates an expansion of the Blake Transit Center, which will enhance public transit and provide regional benefits.

8. The environmental conditions and/or extraordinary costs associated with urban, infill development prevent a reasonable Return on Investment for the developer.

   This standard does not apply.

9. Interest, permit review fees, building review fees, sewer disconnect fees, as an additional brownfield eligible expense, will not be considered eligible expenses.

   This standard does not apply.

10. Total TIF capture period for developer reimbursement may be limited to below the maximum 30 years allowed by statute, as negotiated with the City. Any such capture period shall explicitly identify duration and eligible activities, inclusive of administrative and local brownfield revolving fund activities.

    The Plan is proposed for 30 years to maximize necessary tax capture to make the project financially feasible.