

RESOLUTION TO APPROVE AGREEMENT WITH CITY OF ANN ARBOR TO GRANT HOUSING FUNDS TOWARD DEBT FOR PURCHASE OF 350 S 5TH LOT

Whereas, The DDA's mission is to undertake public improvements that have the greatest impact in strengthening the downtown area and attracting new private investment;

Whereas, The DDA has received a request for debt funding from the City of Ann Arbor (City) to defray part of the cost of principal and interest payments on the City's 2018 debt issuance (Debt) for the purchase of property located at 350 S. 5th Avenue, Ann Arbor, Michigan (Property);

Whereas, In 2019, the City directed the AAHC and the City Administrator to conduct a financial feasibility analysis of the Property as a site for affordable housing and that analysis reported that the site was feasible for affordable housing or mixed-income housing and could also include other uses on the site. The City approved a contract with SmithGroup to conduct Community Engagement to develop potential building concepts. The City directed the City Administrator, the AAHC and the Planning Commission to create and recommend entitlements to City Council.

Whereas, The most recent appraisal of the property valued it at \$11 million dollars, and the estimated development costs are \$100 million dollars,

Whereas, The City has presented a Debt Service Agreement (Agreement) detailing the provisions of the debt funding;

Whereas, The Agreement includes a 16-year repayment schedule (the Schedule) and provides that the City has made payments for years FY19 through FY22 for which no payment is due from the DDA;

Whereas, The Agreement provides that the DDA shall pay to the City an amount equal to 33.33% of the Debt service payments beginning in FY23 and continuing through FY34, including interest and principal as delineated in the Schedule;

Whereas, The DDA's 33.33% portion totals approximately \$2,090,600 and the payments will average approximately \$190,100 per year over 11 years;

Whereas, The DDA is required by City Ordinance (Ordinance) to allocate from its TIF revenues, an annual amount in excess of \$300,000 which is restricted to use for planning, development and improvement of housing in the near downtown area affordable to residents with incomes at or below 60% of the Area Median Income (AMI);

Whereas, The Agreement provides that City will ensure that development of the Property will align with these restrictions, and that in the event that development of the Property does not align with them, the City shall reimburse the DDA for all contributions made or any portion of contributions that do not meet the restrictions contained in the Ordinance;

Whereas, The Agreement term is two years: FY23 and FY24, and it provides for administrative renewal annually with sixty (60) days advanced written notice for successive 1-year periods, upon the same terms and conditions as the contained in the Agreement;

RESOLVED, The DDA Board approves The Debt Service Agreement with the City of Ann Arbor, as presented, including the allocation of debt funding from its Housing Fund in an amount of approximately \$2,090,600 payable over 11 years as detailed in the Agreement to defray a portion of the costs of the City's purchase of the property located at 350 S. 5th Avenue; and authorizes its executive director to execute any necessary documentation and to admiratively renew this agreement as provided.

A vote on the resolution showed:

Ayes: Bartelme, Dieck, Dohoney, Kim, Kinley, Klopf, Letaw

Nays: None

Absent: Massey, McKinnon

The resolution was approved.

March 2, 2022