



Legislation Text

File #: 09-0160, **Version:** 1

Resolution to Approve Acceptance of a \$275,000.00 Payment from the YMCA to Resolve All Outstanding Financial Obligations Between the City and YMCA Regarding the Former YMCA Site at 350 S. Fifth Ave

Attached for your review and action is a resolution to approve receipt of a \$275,000 payment from the YMCA. This payment resolves all outstanding financial obligations between the YMCA and City as they relate to the City's purchase of the former YMCA site at 350 S Fifth Ave., Ann Arbor, Michigan.

In April 1995, the City provided financial assistance to the YMCA in order for the YMCA to continue to operate and manage the residency program (SRO housing) at the YMCA site at 350 S. Fifth Ave. In providing this assistance the City entered into a management agreement with the YMCA which provided for the City's right of first refusal to purchase the YMCA. An additional term of the management agreement was that if the YMCA were to sell the property, the YMCA would repay the City from the proceeds of the sale all funds advanced to support the residency program from January 1, 1988, which, at the time was \$1,918,000. This amount was to be reduced over time by certain amounts as specified in the management agreement. In December 2003, the City exercised its right of first refusal and purchased the former YMCA building. Consistent with the terms of the management agreement, the YMCA agreed to reimburse the City \$483,678 over 10 years, which was the amount still owed to the City from the original \$1,918,000.

Subsequent to the City's purchase of the site in 2003, the YMCA continued to operate and manage the SRO housing per a lease agreement until October 2005, at which time the City closed the facility because it was uninhabitable. Over the course of the next few months the City provided ongoing, off-site temporary housing for the former YMCA residents. During this period, the YMCA provided staffing to assist the City with managing the housing at various locations, incurring additional operational costs of \$75,015. The YMCA also lost revenue of at least \$70,000 when they were not able to continue the SRO housing on site through the end of their lease term.

The YMCA has offered to pay the outstanding \$483,678 owed to the City in a lump sum, less payments to YMCA for staffing costs for the City's temporary housing and lost revenue, and less a pre-payment discount for immediate payment of the obligation due over 10 years. The net total results in a negotiated payment of \$275,000 to the City. The specifics of the \$275,000 payment are:

YMCA original debt to City - \$436,878.00
YMCA pre-payment discount - \$ 16,862.16
YMCA additional operating expenses after Y closure - \$ 75,015.84
YMCA lost revenue after Y closure - \$ 70,000.00
YMCA amount owed to City - \$275,000.00

The YMCA and City will execute a short agreement and mutual release indicating that this payment resolves all outstanding financial issues between the parties regarding the former YMCA site.

In December 2008, Council approved a \$295,000 contract with Avalon Housing, Inc. for activities related to its merger with the Washtenaw Affordable Housing Corporation (WAHC), per resolution R-08-400. Funds for this contract were appropriated from the General Fund Reserve with a provision that the General Fund Reserve be made whole by the Ann Arbor Housing Trust Fund as funds became available. Staff is recommending that the \$275,000 YMCA settlement payment be used to offset the \$295,000 payback due to the General Fund for the contract with Avalon Housing, Inc., thereby eliminating the Ann Arbor Housing Trust Fund's \$295,000 payback to the General Fund, and that the \$275,000 payment from the YMCA be deposited in the General Fund.

Staff recommends that the City accepts the \$275,000 payment from the YMCA as a settlement of all outstanding financial obligations between the City and YMCA regarding the former YMCA site, and we recommend that the payment be used to eliminate the \$295,000 payback due to the General Fund from the Ann Arbor Housing Trust Fund for the contract with Avalon Housing, Inc..

Prepared by: Jayne Miller, Community Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, In April 1995, the City provided assistance to the YMCA in order for the YMCA to continue to operate and manage the residency program (SRO housing) at the YMCA site at 350 S. Fifth Ave, Ann Arbor, Michigan;

Whereas, In providing this assistance the City was provided a right of first refusal to purchase the YMCA and if the YMCA were to sell the property, the YMCA would repay the City from the proceeds of the sale all funds advanced to support the residency program;

Whereas, In December 2003 the City exercised its right of first refusal and purchased the former YMCA building and at that time the outstanding amount of repayment owed the City was \$483,678.00;

Whereas, As part of the purchase, the City and the YMCA entered into a lease arrangement whereby the YMCA would continue to manage and operate the SRO housing on site;

Whereas, Subsequent to the City's purchase of the site in 2003, the YMCA continued to operate and manage the SRO housing until October 2005, when the building was closed by the City;

Whereas, Upon the closure of the YMCA, the City and YMCA provided ongoing temporary off-site housing for the former YMCA residents with the YMCA incurring additional expenses and lost revenue; and

Whereas, Consistent with the terms of the agreements between the City and YMCA, and taking into account the YMCA's additional expenses and lost revenue, the City and YMCA have agreed that the YMCA will pay the City \$275,000.00 to resolve all financial obligations between the parties;

RESOLVED, That the Mayor and Council approve acceptance of the \$275,000.00 payment from the YMCA to resolve all outstanding financial obligations between the YMCA and the City relating to the former YMCA site at 350 S Fifth Ave., Ann Arbor, Michigan;

RESOLVED, That the Mayor and City Clerk are hereby authorized and directed to sign a settlement agreement and mutual release consistent with this resolution subject to approval as to substance by

the City Administrator and approval as to from by the City Attorney;

RESOLVED, That the Mayor and Council approve the \$275,000.00 YMCA settlement payment be used to eliminate the \$295,000.00 payback due to the General Fund for the contract with Avalon Housing, Inc. for merger activities per resolution R-08-400 and that the \$275,000.00 be deposited in the General Fund; and

RESOLVED, That the City Administrator be authorized to take all necessary administrative actions to implement this resolution.