



Legislation Text

File #: 19-1203, **Version:** 1

Resolution to Exercise a Right of First Refusal to Purchase 1146 South Maple Road for \$260,000.00 (8 Votes Required)

The City has a recorded right of first refusal on property at 1146 South Maple Road. On May 3, 2019, the owner notified the City that they wished to sell the property for \$260,000.00. The seller's offer includes the provision that the seller will cover up to \$10,000.00 worth of repairs to the existing well and septic system, which appear to need repairs of unknown extent. [UPDATE 6-13-19: The seller's agent reports the following: the well has been repaired at a cost of \$2,100, leaving \$7,900 toward other repairs; the septic field is believed to be functional and may require no repairs, but will need to be tested again - the prior septic test was conducted while the yard was flooded from testing the new well pump, which may have yielded incorrect results]. Per the terms of the right of first refusal, the City has 60 days (until July 2) to decide whether to purchase the property on the same terms as the prospective buyer. The City obtained an appraisal that concluded the fair market value of the property was \$250,000.00.

The property is approximately 1.15 acres adjacent to Hansen Nature Area and contains an existing house. City Parks staff reviewed the property and does not recommend purchasing it for park purposes. It scored 28/100, placing it in the 4th percentile of all applications, and in the lowest percentile of all "Natural Area" applications. The property adds no additional access to the Hansen Nature Area, and comes with the cost burden of maintaining or demolishing the house. Also, the eastern half of the property is not "natural area," as it has been developed with a house and residential lawn. If the property were acquired for another purpose and that purpose allowed splitting off the west half of the property to add to Hansen Nature Area, staff would bring that to PAC/LAC for consideration at that time.

The property is also adjacent to the Hickory Way affordable housing project being constructed by Avalon Housing. Avalon has stated that if the City purchases the property, Avalon would be interested in acquiring the property from the City for development of affordable housing. The property is currently in Scio Township. Staff estimates that 13-15 units could be constructed on the property if it is zoned R4B (the same zoning as the adjacent Hickory Way project) when annexed.

One potential concern is the lack of accessible City sanitary sewer for the property (the existing house has a septic system). The City is presently in discussion with Avalon's contractor to extend the public sewer main being constructed as part of the Hickory Way project to the property at 1146 S. Maple. The City is considering paying for the incremental cost of the extension, depending on price. This discussion predates the right of first refusal, as staff was looking for the most cost-effective way to get public sewer to 1146 S. Maple by piggybacking on existing construction rather than separately extending another sewer line to the property. The owner of 1146 S. Maple would then pay a fixed sanitary Extension Charge (currently \$19,972.00) at the time they connect in order to defray the cost of extending the public sewer.

Community Services staff believes that the property could be an appropriate place for affordable

housing if Council were to purchase the property and then sell or transfer it to an appropriate affordable housing developer such as Avalon. Because there is no guarantee of a subsequent sale to an affordable housing developer, staff does not have a position on whether Council should acquire the property under the proposed terms. Staff's concern is that if the property is not transferred to an affordable housing developer, the City may end up holding the property indefinitely or losing money on a subsequent sale. [UPDATE 6-13-19]: The seller's agent reports that there was other interest in purchasing the property and does not believe resale would be an issue.]

If this resolution does not pass, staff recommends passing a substitute resolution expressly waiving the right of first refusal, so that the property owner can proceed with their transaction.

Budget Impact:

Funds for this purchase are not currently budgeted and will need to be appropriated from the General Fund balance.

Purchase Price:	\$260,000.00
Due Diligence and Closing Costs (Est.):	\$10,000.00

Prepared by: Christopher Frost, Senior Assistant City Attorney

Whereas, The City holds a right of first refusal on the property at 1146 South Maple Road, recorded in Liber 4560, Page 484, Washtenaw County Records;

Whereas, The property owner has notified the City of their intent to sell the property and the general terms of the sale on May 3, 2019;

Whereas, The sale price is \$260,000.00, with the property being sold on an "as-is" basis with a 14-day inspection period, except the property owner has promised to pay up to \$10,000.00 toward repairs of the well and septic system;

Whereas, The City has obtained an appraisal for the property, which concluded that the fair market value is \$250,000.00;

Whereas, City Parks staff do not recommend purchasing the property for park purposes;

Whereas, Avalon Housing has indicated their interest in acquiring the property to construct affordable housing; and

Whereas, The property is adjacent to the Hickory Way affordable housing project being constructed by Avalon Housing;

RESOLVED, The City Council hereby exercises its right of first refusal to purchase the property at 1146 South Maple Road on the terms presented by the seller;

RESOLVED, That \$270,000.00 be appropriated for purchase of the property from the General Fund Unobligated Fund Balance to increase the Community Development General Fund expenditure budget without regard to fiscal year;

RESOLVED, That the City Attorney's Office is authorized and directed to notify the seller that the City accepts the offer of sale of the property;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute a purchase agreement with the seller for purchase of the property after approval as to substance by the City Administrator and as to form by the City Attorney; and

RESOLVED, That the City Administrator be authorized to take all appropriate action to implement this resolution, including the determination of satisfactory due diligence and execution of all appropriate documents.

Sponsored by: Mayor Taylor & Councilmember Ackerman