



## Legislation Text

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**File #:** 22-0659, **Version:** 1

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### Resolution to Approve a Debt Service Agreement with the Downtown Development Authority for a Contribution to the 350 S. Fifth Avenue Debt Service

This resolution requests approval of a debt service agreement with the Downtown Development Authority (DDA) that contributes funding toward the debt service on the City owned 350 S. Fifth Avenue property.

In August of 2018, the City acquired the property located at 350 S. Fifth Avenue. The City issued Limited Tax General Obligation Capital Improvement Bonds in the amount of \$5,350,000 to purchase the property and to pay for related attorney, bond consultant, taxes and filing fees. The City has a 16-year repayment schedule starting in 2019 and ending in 2034. Pursuant to the debt schedule, the City is obligated to make interest-only payments through 2022. Beginning in 2023, the City must pay principal and interest payments. The City's total debt obligation through 2034, including principal and interest, is \$6,812,626.

In accordance with Council's direction to pursue replacement of the 100 Affordable Housing units that were previously on this site, the Ann Arbor Housing Commission and City staff are continuing to pursue an affordable housing project and the development of the site. The proposed project is large and complicated and is a new model to the Ann Arbor Housing Commission and the City; therefore, a developer agreement that intends to address the debt on the property, will not be in place prior to the inception of the principal payment requirement of the debt.

Conversation ensued between the City and the DDA regarding their interest in pursuing an agreement to assist the City in the debt service payments until a development agreement is in place. In addition, this arrangement would provide an opportunity to support their mission to undertake public improvement that have the greatest impact in strengthening the downtown area and attracting new private investment. In addition, the DDA is required by City Ordinance (Chapter 7 Section 1:156 (3)(e)) to allocate from its TIF revenues an annual amount no less than \$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).

**Budget/Fiscal Impact:** The agreement provides that the DDA shall pay to the City an amount equal to 33.33% of the debt service payments in FY23 (\$190,708.33) and FY 24 (\$190,146.00), including interest and principal. The agreement provides for administrative renewal if necessary.

Prepared by: Marti Praschan, CFO & Financial Services Administrator

Reviewed by: Michelle Landis, Senior Assistant City Attorney

Approved by: Milton Dohoney Jr., Interim City Administrator

Whereas, In August of 2018, the City acquired the property located at 350 S. Fifth Avenue and issued Limited Tax General Obligation Capital Improvement Bonds in the amount of \$5,350,000.00;

Whereas, The City has a 16-year repayment schedule that requires principal payments that begin in 2023;

Whereas, In accordance with direction given by City Council to replace the 100 affordable housing units on the site, the Ann Arbor Housing Commission and City staff are pursuing a project and development agreement for the site;

Whereas, The site has a challenging development history and the proposed project is large and complicated;

Whereas, A Development Agreement that includes the relief of the debt held on the property will not be in place prior to the required principal payments; and

Whereas, The intended project aligns with the Downtown Development Authority's Mission and requirement to allocate from its TIF revenues an amount no less than \$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);

RESOLVED, That City Council approve the Debt Service Agreement with the Downtown Development Authority (DDA);

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said agreement after approval as to substance by the City Administrator and approval as to form by the City Attorney; and

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