Legislation Text

File #: 25-1904, **Version:** 1

Resolution to Approve a Brownfield Plan for the Arbor South Project - 2845 South State Street
This resolution approves a Brownfield Plan for the Arbor South project, located northeast of the intersection of South State Street and Eisenhower Parkway, and including the following parcels: 2800 East Boardwalk Drive, 2845 State Street, and 2991 State Street.

Arbor South proposes to transform a parking lot, gas station, and other adjacent properties into a walkable mixed-use district developed over five phases (Phases 1-5). The project envisions more than 1,000 housing units, a hotel, street-level retail, open space and plazas.

To realize this vision, substantial investment in public infrastructure is required, including new streets, sidewalks, utilities, and three public parking structures. These structures are planned as components of Phases 2, 3, and 5 of the project. A separate resolution of Council authorizes the purchase of these structures subject to contingencies set forth in a public-private agreement with the developer.

The Brownfield Plan enables new property tax revenues generated by the Arbor South project to be captured by the Washtenaw County Brownfield Authority and used to reimburse eligible activities and their associated costs as identified in the plan.

The Brownfield Plan organizes eligible activities into two categories:

- Priority One: Purchase and development of the public parking structures
- Priority Two: All other on-site and off-site infrastructure necessary for the project

Included within Priority Two is $25 million in anticipated tax increment revenue designated for a City-led sewer trunkline expansion. The Brownfield Plan also provides for up to 5% simple interest to support financing costs.

A forthcoming Reimbursement Agreement between the City, the County Brownfield Authority, and the developer, which requires approval by City Council, will establish the method of distributing tax increment revenues among the parties. Subject to Act 381, MSF/EGLE approvals, the Brownfield Plan and Act 381 Work Plan, and the Reimbursement Agreement, it is anticipated that tax increment revenues captured by the County Brownfield Authority will be disbursed in the following order of priority:

1. Payment of administrative expenses to the County Brownfield Authority.
2. Payment toward bonds issued for parking deck construction or acquisition.
3. Shared reimbursement of remaining tax increment revenue between the City and the developer as determined by the Reimbursement Agreement and subject to the County Brownfield Authority's LBRF capture at the end of the Plan.

Under this framework, the tax increment revenues remaining after reimbursement of Priority 1

Eligible Activities will be divided 50/50 between the City and the Developer in accordance with the Reimbursement Agreement approved by the County Brownfield Authority and the City. It is anticipated that a portion of such available increment revenues will be payable to the City towards the cost of the City-led sewer trunkline project, and the remainder will be payable to the developer toward reimbursement of Developer-incurred eligible activities, all subject to the Brownfield Plan, and consistent with Act 381. The Brownfield Plan anticipates tax increment capture for up to thirty years as permitted by state law, or until all approved eligible costs have been fully reimbursed, whichever occurs first. In the last year of the Plan reimbursement period, the LBRF Lump Sum amount identified in the Plan will be prioritized for full funding over any unreimbursed Priority 2 Eligible Activities.

Following approval by City Council, the Brownfield Plan must also be approved by the Washtenaw County Brownfield Authority, the Washtenaw County Board of Commissioners, and the Michigan Economic Development Corporation (MEDC).

The City Administrator recommends approval of this Brownfield Plan based upon the findings described in the Staff Report, attached hereto.

Budget / Fiscal Impact: Approval of this Brownfield Plan does not, in itself, create a financial impact on the City. If the Arbor South project is developed, the new property taxes generated, which would not exist but for the project, will be restricted for use on the eligible activities identified in the attached Brownfield Plan, and distributed according to the forthcoming Reimbursement Agreement. If the project is not developed, the taxable value of the properties will remain unchanged, and no tax increment will be generated.

Attachments:	Arbor South Brownfield Plan
	Staff Report for Arbor South Brownfield Plan
Prepared by:	Joseph R. Giant, Director of Economic Development
Reviewed by:	Derek Delacourt, Community Services Area Administrator
	Marti Praschan, Chief Financial Officer
Approved by:	Milton Dohoney Jr., City Administrator

Whereas, The Arbor South Development Team has requested approval of the *Arbor South Brownfield Plan* (the “Plan”) in order to pursue tax increment financing through the Washtenaw County Brownfield Redevelopment Authority (the “WCBRA”);

Whereas, The Washtenaw County Board of Commissioners established the WCBRA to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas within the county, pursuant to and in accordance with the provisions of the Brownfield Redevelopment Financing Act, being Act 381 of the Public Acts of 1996 of the State of Michigan, as amended (“Act 381”);

Whereas, Act 381 requires the explicit consent of each local unit of government included in the WCBRA, which the City of Ann Arbor granted by Resolution R-35-1-02;

Whereas, The property included in the Plan is comprised of three parcels, one of which has been determined to be a facility, one is functionally obsolete, and the third is considered as adjacent and contiguous, all as defined by Act 381;

Whereas, Any reimbursement by the WCBRA based on an approved Plan shall be limited to actual

eligible expenses incurred in accordance with Act 381;

Whereas, Neither the initiation of the review process by the WCBRA nor the City's consideration or recommendation of the Plan constitutes a guarantee that the Plan will be approved by the Washtenaw County Board of Commissioners, the Michigan Department of Environment, Great Lakes, and Energy (EGLE), the Michigan Strategic Fund (MSF), or that any financial incentives will be awarded;

Whereas, City Council held a public hearing on November 6, 2025, to receive public comment on the Plan;

RESOLVED, That City Council hereby approves the *Arbor South Brownfield Plan* submitted to the City and dated October 27, 2025;

RESOLVED, That City Council waives the City's Brownfield Policy as to the requirement that 15% of units in the project be affordable housing because the developer, the Ann Arbor Housing Commission, and the City have proposed to jointly finance 209 affordable units as part of the project (over 20% of the total proposed housing units), with the developer having agreed to make a total payment-in-lieu equaling approximately $19 million if the affordable housing cannot be constructed;

RESOLVED, That City Council waives the City's Brownfield Policy as to the requirement that interest and fees not be an eligible reimbursable expense because interest and fees may be included as part of the City's purchase price for the public parking structures and the City wishes to be reimbursed through tax increment revenue for its entire purchase price in order to service the City's proposed bond debt; and

RESOLVED, That the City Clerk is directed to submit a copy of this resolution to the Washtenaw County Board of Commissioners as documentation of the City's consideration and concurrence with the Plan.

Sponsored by: Mayor Taylor

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