



DATE: November 6, 2019

TO: City Finance Committee

FROM: Block 88 Negotiating Team

RE: Block 88 Air-Rights Negotiation Final Progress Report

The City's Block 88 Negotiating Team has concluded negotiations with Stone House Development for the purchase and development of the Podium and air-rights above the City's Wilson Street Garage on Block 88. The proposed development agreement is the product of six negotiating sessions held by the parties between September 4th and October 21st, and three progress meetings with the City Finance Committee on September 23rd, October 7th and October 21st. The draft Common Council resolution is attached to this report and the draft development agreement is separately placed on Legistar.

The draft development agreement will be presented to the Finance Committee at its November 11th meeting. If acceptable, a resolution would be introduced at the November 19th Common Council meeting to approve the development agreement and be referred to the Finance Committee for consideration on November 25th. Stone House has filed an application for City Affordable Housing Funds and a separate resolution authorizing the commitment of City AHF funds, was introduced for referral at the November 5th Common Council meeting. It will be taken up by the Community Development Block Grant Committee on November 7th, and then considered by the Finance Committee at its November 25th meeting along with the resolution to approve the development agreement. The Common Council would consider both resolutions at its December 3rd meeting.

If approved by the City, a construction start is targeted for June 1, 2020 with a move-in targeted for July 2021.

Presented below are the key provisions from the draft development agreement.

Project Description: 161 apartments with 148-above grade parking stalls and approximately 8,000 square feet of retail space (the "Podium"). The 161-unit apartment building is comprised of 26 studio, 91 one-bedroom and 44 two-bedroom apartments.

Affordable Housing Component: Twenty apartments are restricted to persons earning at or below 60% of the Dane County median income and are comprised of eleven studio, six one-bedroom and three two-bedroom apartments. Through the City's Affordable Housing Fund, the

City will provide up to a \$450,000 loan for the twenty apartments restricted to persons earning at or below 60% of the Dane County median income. A land use restriction agreement will be executed to maintain those affordable units for thirty years.

An additional seventeen apartments are restricted to persons earning at or below 80% of the Dane County median income and are comprised of twelve studio and five one-bedroom apartments.

The affordable housing units will be dispersed throughout the apartment building and will be materially similar in quality of materials to the market rate units of the same size. Stone House may work with a social equity provider to increase the number of 60% units, up to a maximum of 40% of the units.

Conveyance of City Property: The Podium will be purchased by Stone House for \$5 million at closing, with an additional \$1 million paid at the 15th anniversary of the date the project is placed into service.

Prior to or at closing, Stone House must execute a Podium Purchase Agreement and condominium deed conveying the Podium, provide evidence of private debt and equity to complete the project, and have received all land use approvals required to commence construction of the project.

Project Financing: Stone House is responsible for all costs of the private development except for the City's Affordable Housing Fund loan. Although no alterations are expected to be needed for the City's municipal garage beneath the Podium, to the extent alterations are identified later in the design process, Stone House will be responsible for any costs to modify the municipal garage beneath the Podium at its sole cost.

Environmental Sustainability Provisions: Stone House has agreed to include environmental sustainability elements as identified in Section 5.3 of the development agreement. In particular, the building envelope will perform at least 3% better than code requirements. Stone House agrees to use commercially reasonable efforts to incorporate solar panels on the roof, a green roof system, a blue roof system for water retention and obtain LEED equivalency.

Contract Compliance Provisions: Stone House will comply with targeted business enterprise goals for the design and construction of the building set by the City Department of Civil Rights (DCR) based on a schedule of values to be provided by Stone House. Currently, Stone House is working with DCR to ensure an estimated goal is included in its preliminary RFPs required to form the schedule of values.

Term of Agreement: The development agreement will terminate by December 31, 2020 if the real estate closing has not occurred.

Authorizing the Mayor and City Clerk to Execute the Development Agreement with Stone House Development, or its assigns, for the Purchase of the Podium and Air-Rights above the City's Wilson Street Garage on Block 88 and Directing Follow-up Actions by the City as Described and Agreed to in the Development Agreement

Refer: Finance Committee

Sponsors:

Fiscal Note:

To Be Inserted

WHEREAS, on February 26, 2019, the Common Council adopted RES-19-00161 to authorize the issuance of a Request for Proposals (RFP) to seek a developer to complete the private portion of the Judge Doyle - Block 88 project; and

WHEREAS, on March 1, 2019, the City issued the RFP, with a due date of April 15, 2019; and

WHEREAS, on April 15, 2019, three proposals were received by the City of Madison from Gebhardt Development of Madison, WI, Mandel Group of Milwaukee, WI, and Stone House Development of Madison, WI; and

WHEREAS, on September 3, 2019, the Common Council adopted RES-19-00593, accepting the proposal from Stone House Development and authorizing the Block 88 City Negotiating Team to initiate negotiations with Stone House Development; and

WHEREAS, the Block 88 Negotiating Team completed the negotiations with Stone House Development and presented a draft development agreement to the Finance Committee on November 11, 2019 (the "Development Agreement"), which includes the provision of twenty apartments restricted to persons earning at or below 60% of the Dane County median income for thirty years financed with a City Affordable Housing Fund loan of up to \$450,000, and a purchase price for the Podium and air-rights of \$6.0 million; and

WHEREAS, on November 25, 2019, the Finance Committee considered the Development Agreement and recommended approval of the Development Agreement with Stone House Development; and

NOW, THEREFORE BE IT RESOLVED that the Common Council does hereby accept the recommendations of the Finance Committee and authorizes the Mayor and City Clerk to execute the Development Agreement with Stone House Development, or its assigns, for the purchase and development of the Podium and Air-Rights above the City's Wilson Street Garage on Block 88 for the Judge Doyle Project and directs follow-up actions by the City including negotiating and executing the purchase agreement, condominium documents, indemnification agreement and any other necessary contracts and the recording of the same to fulfill the objectives as described and agreed to in the Development Agreement subject to final approval by the City Attorney.