



DATE: September 19, 2019

TO: City Finance Committee

FROM: Block 88 Negotiating Team

RE: Block 88 Air-Rights Negotiation Progress Report

**Introduction:**

On September 3, 2019, the Common Council adopted RES-19-00593 directing that negotiations commence with Stone House Development of Madison, WI to develop the Block 88 air-rights above the new underground municipal garage. On September 4<sup>th</sup>, the City's Block 88 Negotiating Team held a kick-off session with Stone House. In addition, a site tour of the Podium and municipal garage was given to Stone House ownership, architectural, engineering and construction teams on September 10<sup>th</sup>.

At the kick-off session, a calendar was created to conduct five negotiating sessions on September 16<sup>th</sup>, September 26<sup>th</sup>, October 7<sup>th</sup>, October 21<sup>st</sup>, and October 31<sup>st</sup>. Progress reports will be provided to the Finance Committee at its September 23<sup>rd</sup>, October 7<sup>th</sup> and October 21<sup>st</sup> meetings with the goal for the negotiating team to present a draft development agreement to the Finance Committee at its meeting of November 11<sup>th</sup>. A resolution would be introduced at the November 19<sup>th</sup> Common Council meeting to approve the development agreement with Stone House and referred to the Finance Committee for consideration on November 25<sup>th</sup>. The Common Council would consider the resolution at its meeting of December 3<sup>rd</sup>.

**Negotiation Status:**

On Monday, September 23<sup>rd</sup>, the negotiating team will meet with the Finance Committee on the status of the negotiations. The summary of progress on the key points under deliberation are as follows:

*Impact on the Podium and Municipal Garage Structure:* The building design has been tweaked which would remove the townhouse units from Level 4 and leave that area as solely an amenity deck for the apartments. The unit count is now 161 units; two more than the original proposal. Stone House's structural engineer has checked the gravity loads of the structure and did not find any deficient vertical members in the structure below the air rights. The lateral loads have also been reviewed and lateral reinforcing walls may need to be constructed on the highest level of the Podium. The Podium reinforcing will not impact the municipal garage below, or the opening

of City's garage. The cost of the Podium modifications will be borne by Stone House. The preliminary conclusions are being reviewed by the City's structural engineer for the municipal garage project.

*Sustainability Elements:* Stone House has committed to providing solar panels on the roof and is studying both a green roof (a roof of a building that is partially or completely covered with vegetation and a growing medium, planted over a waterproofing membrane) and a blue roof ( a roof design that is explicitly intended to store water, typically rainfall) system for the upper roof and the lower amenity deck roof. Strategies for certification of the building (e.g. LEED) are also being studied.

*Affordable Housing Elements:* Stone House is analyzing financing options to increase the number of affordable units at 60% of AMI and/or greater affordability to reach lower income households. The original proposal included 20 units at 60% AMI and 17 units at 80% AMI. Stone House has committed to disperse the units throughout the building. These options are a work-in-progress and the negotiating team will be prepared to review the options in detail at the October 7<sup>th</sup> Finance Committee meeting.

*Contracting Goals:* Stone House is scheduled to meet with representatives of the Department of Civil Rights and the City Attorney's Office on Friday, September 20<sup>th</sup>. The negotiating team will verbally report on the progress on this topic at the Finance Committee meeting on September 23<sup>rd</sup>.

*Podium and Air-Rights Purchase Terms:* The negotiating team has discussed the City's desire to reduce the payback period to the Parking Utility based on the original Stone House proposal. Strategies to address this issue will be reviewed once the affordable housing financing strategies are more clearly understood.

*Development Schedule:* The construction start target date is June 1, 2020 and the move-in target date is June 2021. The land use approval process will begin this fall with the pre-application meetings with planning and zoning staff, the alder and the neighborhood, and the Landmarks Commission and UDC. The Major Alteration to the Approved PD application is targeted for submittal in January 2020.