



DATE: October 17, 2019

TO: City Finance Committee

FROM: Block 88 Negotiating Team

RE: Block 88 Air-Rights Negotiation Progress Report

The City's Block 88 Negotiating Team will provide its final progress report for the Finance Committee's October 21<sup>st</sup> meeting. Since the last progress report on October 7<sup>th</sup>, two additional negotiating sessions were held with Stone House.

Presented below are the key business terms that will form the basis for the development agreement between the City and Stone House based on the negotiations to date. Some items are still under negotiation.

**Project Description:** 161 apartments with 148-above grade parking stalls and approximately 8,000 square feet of retail space (the "Podium").

**Affordable Housing Component:** Twenty apartments restricted to persons earning at or below 60% of the Dane County median income and 17 apartments restricted to persons earning at or below 80% of the Dane County median income. 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 elect to pursue working with a social equity provider to increase the number of affordable units.

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

Prior to or at closing, Stone House must execute a Podium Purchase and Sale 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:** Subject to the approval of an Affordable Housing Fund (AHF) application by the Common Council, the City will provide a loan in the amount of up to \$450,000 (\$22,500 per 60% CMI unit), deferred for 30 years with an accompanying 30-year land use restriction agreement on the affordable units. The City will not provide AHF funds to support 80% CMI units. Stone House

is responsible for all other costs of the private development. 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:** A negotiation session is scheduled for October 21<sup>st</sup> after which the City negotiating team will be able to report on this item in more detail. Specific sustainable features are being analyzed by Stone House.

**Contract Compliance Provisions:** Stone House will comply with targeted business enterprise goals 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.

**Other:** Although not a contract issue, the City Planning Division has suggested that a public art element be added to the west side of the municipal garage facing the Madison Municipal Building. The CMU block wall at the base of the building would be painted with a horizontal mural that will have horizontal battens installed over the street art, allowing the street art to be partially seen. The art project, after receiving the required approvals, would be installed before the end of November.

The draft development agreement will be presented to the Finance Committee at its November 11<sup>th</sup> meeting. 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>. Pending receipt of an application from Stone House, a separate resolution, authorizing the commitment of City AHF funds, is planned for introduction on November 5<sup>th</sup>. It will be taken up by the Community Development Block Grant Committee on November 7<sup>th</sup>, then referred to the Finance Committee for consideration on November 25<sup>th</sup> and to the Common Council on December 3<sup>rd</sup>.

The construction start target date is June 1, 2020 and the move-in target date is July 2021.