

## City Council – Action Request Form

**Date:** June 1, 2017

**To:** The City Manager

**From:** Derwick L. Paige, Assistant City Manager

### Council Action Requested:

Approve Modifications to a Previously Approved Downtown Redevelopment Project with Grubb Properties Pursuant to N.C.G.S. 160A-458.3.

### Summary of Information:

In March 2017, City Council approved a downtown redevelopment project with Grubb Properties to develop a 240-unit apartment building on a portion of the old GMAC property. The apartment building will include ground floor retail space and/or apartment amenity uses that activate Fourth Street. The project was projected to cost approximately \$48,000,000 and the City's participation was \$1,650,000. As part of the agreement, Grubb Properties agreed to designate a minimum of 25% of the units as workforce housing units for a minimum of 15 years, with such units offered to residents earning at or below 110% of Area Median Income and 5% of the units as workforce housing units for a minimum of 15 years, with such units offered to residents earning at or below 90% of Area Median Income. Under the terms of the agreement, Grubbs also requested that the annual incentive payments be deferred for five years due to a Brownfields Program tax incentive that the developer is seeking.

As the attorneys have been drafting legal documents for the project, two issues have arisen that need Council approval.

- 1) This modification establishes the number of units to be approximately 225 and the minimum number of units at least 220 with the total project cost being approximately \$45,000,000. The commitment to workforce housing percentages will not change.
- 2) Based upon the pending approval of the Brownfields Program tax incentive, it is uncertain when the project would begin to pay 100% of the ad valorem tax value for the project; however, the first City annual incentive payment would not begin until July 1<sup>st</sup> following the calendar year after the first payment of 100% of the ad valorem tax value for the completed project. The remaining nine (9) installments will be paid on or about July 1<sup>st</sup> of each consecutive year thereafter.

### Committee Action:

<b>Committee</b>	Finance 6/12/17	<b>Action</b>	Approval
------------------	-----------------	---------------	----------

<b>For</b>	Unanimous	<b>Against</b>	
------------	-----------	----------------	--

**Remarks:**

Additionally, Grubb Properties asked for a modification to the City's standard language regarding assignment of the agreement and audited financials. The assignment language will be revised to include the following language underlined in italics: "This Agreement shall not be assigned without the prior written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed so long as such proposed assignee owns, operates or manages other multifamily properties similar in size and operations to the Project and the proposed assignee can demonstrate to the satisfaction of the City that it has the financial capacity to assume and continue the project."

Due to concerns regarding cost and public access to the audited financial reports, the City's standard language will be revised: (i) to indicate that the property owner will furnish the City with a copy of its annual internally prepared balance sheet and income statement certified by its director of finance, as soon as it becomes available, but not later than six months following the fiscal year end for the property owner and (ii) to indicate that said balance sheets and income statements are to be marked and treated as confidential pursuant to N.C.G.S. Section 132-1.2 to the fullest extent permitted by law.