



Regular Council

AGENDA ITEM REPORT

To: City Council
Subject: Consideration of the Second Amendment to the Master Development Agreement for the Center City Project
Meeting: Regular Council - 17 Sep 2019
Department: Planning, Building, and Development
Staff Contact: Thomas Fehrenbach, Community and Economic Development Administrator

BACKGROUND INFORMATION:

The attached Second Addendum to the Master Development Agreement was developed to clarify the schedule and method of calculating payments made by the Center City Developer as part of the Master Lease agreement with the City for the Albert Building.

As you are aware, the Albert portion of the project was built upon an existing City surface lot.

Three components of mixed use building are nearly complete:

- B1- Approximately 23,000 square feet of retail
- B2- A 5 story parking Deck
- B3- 5 Stories of 55+ age qualified apartment units

The City negotiated a 49-year lease beginning at \$200,000, which includes \$80,000 for B1 and \$120,000 for B3, respectively, on an annual basis. The City will retain control and operations of the garage in perpetuity. At the end of the 49 year term, the developers have one option to extend the lease an additional 49 years. Once their term has expired, ownership of B1 and B3 will transfer to the City.

Per the clarified method and schedule in the attached Second Addendum, the \$120,000 annual payments for B3 will become due on a monthly basis on October 1, 2019. A pro-rata share of the \$80,000 annual payment for B1 will be due as businesses in the retail portion of the building are open to the public. This buffer period will allow some flexibility for the developer in the first year, and was the original intent of the City to encourage the attraction of quality tenants to the spaces. When the period ends on September 1, 2020, the full \$80,000, payable monthly (at \$6,667) will be required whether the retail is fully leased or not.

Staff and the City Attorney have reviewed the Second Addendum and recommend that the City Council approve it.

ATTACHMENTS:

[Second Addendum to Master Development Agreement 9.9.19 PARTIALLY EXECUTED MJB](#)

Second Addendum to Master Development Agreement and Clarification of Master Lease

WHEREAS, The City of East Lansing, the East Lansing Brownfield Redevelopment Authority, the East Lansing Downtown Development Authority and HB BM East Lansing LLC (collectively, the "Parties") have entered into a Master Development Agreement dated October 31, 2017 (the "MDA") which included an Albert Avenue Master Ground Lease; and,

WHEREAS, The Parties desire to amend the MDA as set forth in this Second Addendum to Master Development Agreement (this "Second Addendum ") and clarify the Master Ground Lease; and,

WHEREAS, Section VIII (d) of the MDA provides for a procedure to amend the MDA; and,

WHEREAS, pursuant to the MDA and the Master Ground Lease, the issuance of the Certificate of Occupancy for Building B2 was the catalyst for the commencement of certain rental payments becoming due and payable to the City; and

WHEREAS, a temporary certificate of occupancy was issued for Building B-2 by the City on August 23, 2019; and

WHEREAS, the Parties desire to modify and clarify certain provisions of the MDA and Master Ground Lease with respect to commencement of payments; and

WHEREAS, except as modified and clarified by this Second Addendum and the First Addendum, the provisions of the MDA and Master Ground Lease shall remain in full force and effect; and,

WHEREAS, all capitalized terms that are not otherwise defined in this First Addendum shall have the definitions assigned to them in the MDA.

NOW, THEREFORE, by this Second Addendum, the MDA and Master Ground Lease are amended and clarified as follows:

Date on which certificate of occupancy is issued. The parties agree that the temporary certificate of occupancy for Building B2, issued by the City on August 23, 2019 shall be the date upon which the Ground Lease shall commence. Both parties shall use commercially reasonable efforts to expedite a final Certificate of Occupancy.

Rent Payment for Building B3. As provided in the Master Ground Lease, the \$120,000.00 annual rental payment for Building B3, shall be payable in monthly installments of \$10,000.00, commencing October 1, 2019.

Rent Payment for Buildings B1. The parties further agree that annual rental payment for Building B1 of \$80,000.00, is payable in monthly installments of \$6,667.67, and shall commence on the first day of the month after any of the tenants of Building B1 have been open for business. Further, the payments shall be prorated so that the payment is reduced by the percentage of Building B1 that has not been open for business as of the date of the payment. Payments shall be computed and paid on the first day of the month. Starting September 1, 2020, 100% of each monthly installment of \$6,667.67 will become due and payable regardless of the amount of space in Building B1 for which a full Certificate of Occupancy has been issued.

Execution in Counterparts. This Second Addendum may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Second Addendum has been executed and delivered by the duly authorized officers of the Parties.

CITY OF EAST LANSING

By _____

Mark Meadows, Mayor

**EAST LANSING BROWNFIELD
REDEVELOPMENT AUTHORITY**

By _____

Peter Dewan, Chairperson

**EAST LANSING DOWNTOWN
DEVELOPMENT AUTHORITY**

By _____

Peter Dewan, Chairperson

HB BM EAST LANSING LLC

By  _____

Mark Bell, its Manager