TO: City Council

FROM: Brian Pine, Assistant Director for Housing & Neighborhood Revitalization

DATE: September 4, 2013

RE: Sale of Browns Court municipal parking lot to Champlain College

Per the Letter Agreement between Champlain College and the City of Burlington dated June 25, 2013, we are seeking City Council approval to execute a Purchase and Sale Agreement (P&S) for the sale of the Browns Court parking lot to Champlain College. The Board of Finance unanimously voted to recommend approval of the attached resolution.

The City has negotiated to sell the property to Champlain College in accordance with the terms and provisions of this Agreement, to enable Champlain to combine the property with the former “Eagles Club”property, numbered 194 St. Paul Street, and to construct a redevelopment project on the combined properties, that strives to achieve the following goals and objectives:

* Develop apartment-style housing for Champlain College students;
* Realize the goals of the City’s Municipal Development Plan and PlanBTV to significantly increase the supply of downtown housing;
* Enhance pedestrian activity along St. Paul Street with non-residential street-level uses, such as, but not limited to retail uses;
* Maintain for public use at least the same number of parking spaces currently available at the parking lot on the Property;
* Monetize an under-performing City asset for a price above fair market value as determined by 2 separate appraisals;
* Manage any on-site parking resources cooperatively with the City's parking management efforts, to the greatest extent possible in Champlain’s sole discretion;
* Increase the grand list with private development on a property that is presently tax-exempt.

Key elements of the P&S include:

**Purchase Price**

The purchase price to be paid by Champlain College to the City shall be One Million One Hundred Thousand and xx/100 U.S. Dollars ($1,100,000.00).

**Property Taxes**

Champlain shall be subject to property taxation at its full legally assessed value following acquisition, including its full assessed value upon construction completion.

**Operation of Parking Lot**

Champlain agrees that the City will have the right to continue to use and operate the Property as a public parking lot after the Closing, and to retain all rents and income from such operations without any obligation to pay rent to Champlain, until Champlain commences excavation of the building foundation for the student housing project on the Property, which shall be upon at least thirty (30) days’ notice to the City. During the period when the City is using the Property as a parking lot, Champlain will not be obligated to pay taxes on the Property, and the City will be responsible for all utility, plowing, landscaping and insurance expenses associated with such use.

**Provision of Public Parking**

Champlain will maintain for public use at least the same number of parking spaces currently available at the Browns Court parking lot.

Although this issue is not addressed in the P&S Contract, it is worth noting that the subject parcel and the former Eagles Club are located in the Downtown TIF District. At this time, we do not anticipate making any infrastructure investments in the Champlain student housing financed with TIF revenue. However, members of the Board of Finance requested some discussion of the TIF implications, if any, for this project.

By State statute, when the City created the TIF District, the existing property values for all properties within the district were recorded; this is the Original Taxable Value (OTV). These properties already generate a certain amount of tax revenue for both the City and the Vermont Education Tax Fund. Revenues generated by the OTV on the former Eagles Club will continue to go to the taxing entities (City and State) throughout the life of the TIF district, but the municipal parking lot is tax-exempt so it has no OTV. As the property value increases as a result of the private development, so does tax revenue generated by the district as a whole - this increase is the increment.

For no more than 20 years, 75% of the incremental Vermont Education Fund and municipal property taxes generated by the private development pay down debt used to finance public infrastructure. The remaining 25% gets added to the Vermont Education Fund and the City General Fund. After a 20-year property tax retention period, 100% of the property taxes generated go to the taxing entities (City General Fund & VT Education Fund). The development planned by Champlain College on these parcels will add considerable increment to service TIF-related debt.

The attached resolution also contains language providing City Council approval for Champlain College to purchase property as per the 1994 Memorandum of Understanding between Champlain College and the City (attached). The MOU requires Champlain College to seek and receive City Council approval before purchasing properties outside delineated boundaries.

Please feel free to contact me if you wish to discuss this matter in advance of the September 9 meeting.