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MEMORANDUM

To: Mayor and City Council

From: Warren Hutmacher, City Manager

Date: May 29, 2012

Subject: **Closing on the 19 Acre Former Hospital Property**

ITEM DESCRIPTION

For the first purchase related to the 19-acre former hospital property, the City has the option to extend closing until July 31, 2012 by giving written notice to the Seller by June 1, 2012. The City also has the option of closing on the property by June 15, 2012.

BACKGROUND

The City entered into a purchase and sale agreement in 2011 for the 19 acre former Emory Dunwoody Hospital site. The contract divides the purchase into three property transactions. A map of the property illustrating the annual transactions is attached to this memo. Based on the adopted contract the City intends to purchase parcels "A1" and "B" in 2012.

To date, the City has deposited \$150,000 in nonrefundable earnest money towards this purchase. Per the existing contract, the closing for parcels A1 and B is contemplated for June 15, 2012. At closing, the City will owe \$3,750,000 for these parcels. The City can extend the closing date (at its sole option) to July 31, 2012 by depositing \$500,000 in additional earnest money to the seller by June 1, 2012. The funds are non-refundable but count as a credit toward closing.

Extending closing by depositing an extra \$500,000 in earnest money the City risks losing \$650,000 if the Council decides to terminate the agreement before closing. The policy question for the Council's consideration is whether or not the benefit of a 45-day extension to the closing date outweighs such risks. The City had hoped to have a fully executed Development Agreement in place by May 29th with Wieland Homes. It is likely that the full execution of the Development Agreement will be delayed until June 11, 2012.







FUNDING

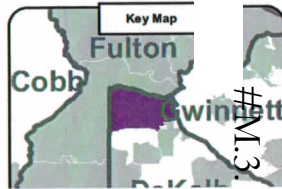
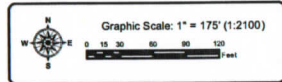
\$500,000 in additional earnest money is available from the prior year HOST fund balance. Additionally, the \$3,600,000 needed to close the transaction on June 15, 2012 is also available from HOST reserves, and will not detrimentally impact the City's cash flow.

RECOMMENDATION

Staff recommends the City Council decline the option to extend closing to July 31, 2012 and complete the transaction for parcels "A1" and "B" on June 15, 2012. It is anticipated that the Development Agreement will be finalized at the June 11, 2012 meeting. Staff does not recommend putting an extra \$500,000 at risk without a signed development agreement. There are sufficient funds in reserve to close the transaction by June 15, 2012. No action is required to decline the option to extend the closing date.

Site Location
19 Acre Hospital Site Proposal
 February 2012

- Legend
-  City Streets
- Hospital Site**
-  A1 - 4.825 Ac.
 -  A2 - 5.336 Ac.
 -  B - 3.298 Ac.
 -  C - 5.647 Ac.
 -  Tax Parcels



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