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TO: Mayor and Council

FROM: Sumedh Bahl, Community Services Area Administrator  
Susan Pollay, Executive Director, DDA  
Wendy Rampson, Planning Manager  
Colin Smith, Parks & Recreation Manager

CC: Steven D. Powers, City Administrator

SUBJECT: Council Agenda Responses

DATE: 11/6/14

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**Item DC-1 – Resolution Directing the City Administrator to Negotiate with the Dahlmann Corporation Concerning the Temporary Use of the Former Y Lot and the Allocation of Net Proceeds to the Affordable Housing Fund**

**Question:** Are there any estimates for the capital and operations costs to operate this site as a parking lot for two additional years? Please provide gross and net revenue numbers for 350 S. Fifth when it was operated for surface parking. (Councilmember Warpehoski)

**Response:** If this lot were operated as part of the municipal parking system, here are estimates for capital costs and operating costs.

The DDA owns the parking equipment and signage that was once in place on this lot. Capital costs would include reinstalling this equipment, as well as possible repairs to the lot surface. The estimated cost to reuse this parking equipment and signage is \$55,000, including rerunning wiring, paying the equipment supplier to update the former equipment and reinstall it, plus purchasing/installing stop blocks for each parking space. After many years usage the surface of the lot is uneven in many locations and needs repair. However, we do not have a cost estimate for this.

Operating costs for the 5<sup>th</sup> & William parking lot was \$52,203 for the last complete fiscal year ending June 30, 2013, excluding the debt and the 17% revenues paid to the City. The income in the last full fiscal year was \$214,693. If this lot were operated as part of the municipal parking system, here is an estimate for net operating revenues using these figures:

\$225,428	estimated revenue, includes hourly parking rate change in January 2015
<u>\$54,291</u>	estimated operating cost, including an inflationary cost increase since 2013
\$171,137	estimated net revenues
\$55,000	parking equipment reinstallation
?	Surface lot repairs (cost is unclear)
<u>\$38,323</u>	City 17%
\$77,814	net available after expenses

If the lot was operated directly by the City, and not as part of the municipal parking system, additional costs for equipment, management and operation should be expected.

**Question:** What are the current utilization rates for the Library Lane surface lot, the underground parking structure, and the 4th and William parking structure? How do these compare to goals or benchmarks for optimal utilization? (Councilmember Warpehoski)

**Response:** The DDA indicated to City Council at our work session this fall that parking demand is growing and discussions at the DDA have begun to explore options to address this. However, demand is not uniform across the system, and in this section of downtown the DDA Operations Committee has determined that there is still capacity to meet current parking demand.

The Library Lane parking structure does not generally fill up except during special events. This is true too for the Fourth and William structure. A benchmark of 85% occupancy is generally used to assess when a facility is full, and there were 32 instances during the past year when both structures, Library Lane and Fourth & William, hit 85%+ occupancy at the same time. Otherwise, there are parking spaces available to the public at one or both facilities.

**Question:** Are there any projections of how this affects parking numbers and revenue? Would adding this parking likely lead to a net increase in parking used? If so, how much? Would this lead people to move from lower-cost structure parking to higher-cost surface parking? (Councilmember Warpehoski)

**Response:** When the question came before the DDA Operations Committee, the Committee members concluded that given the current amount of available parking in this section of downtown, if the lot were to be reutilized it would draw patrons and revenues away from the structures rather than increase the total amount of parking.

Further, it was anticipated that we would see the same amount of total parking but with added parking system operational costs, including rent to the property owner, snow removal, etc.

**Question:** Would this proposal violate the City/DDA parking agreement, which states, existing parking agreement states “Except as otherwise provided in this Agreement, the DDA shall manage, maintain and collect all parking revenues (other than fines) resulting from operation the Municipal Parking System, provided, however, the City shall retain responsibility for managing the Residential Parking Permit Program and receiving the revenues from said program.” (Councilmember Warpehoski)

**Response:** No. The original DC-1 Resolution assumes the City would not be requesting that the lot be added to the municipal parking system managed and operated by the DDA under the Parking Agreement. The City would be responsible for management and operating the lot outside of the system and therefore the lot’s operation would not be subject to the terms of the Parking Agreement (including revenue allocation). There is no mandate in the Parking Agreement requiring the lot to be added to the system. Under the terms of the Resolution the City Administrator would be directed to take all necessary actions to have the City manage and operate the parking lot for the designated term of the lease. (This would include but not be limited to: 1) purchasing or leasing parking equipment, 2) contracting for operational staffing, 3) putting the necessary administrative and financial controls to account for revenues and expenses)

Under the substitute DC-1 Resolution proposed and forwarded to Council members this afternoon by Councilmember Lumm, notice as required by the Parking Agreement would be given to the DDA requesting that the lot be added to the municipal parking system which would make the management and operation of the lot part of the DDA’s obligations under the Parking Agreement. Although revenue from the system under the Parking Agreement is allocated in its entirety to the DDA, this provision could be modified by mutual agreement of the parties and it would be expected that the notice would include notice of the City’s request to reallocate revenue for this purpose for this lot for the stated term. The DDA and City share the same goals, including a financially healthy parking system, affordable housing, and the future construction of an attractive new mixed use development on this site. The Substitute Resolution provides for a 3-party negotiated agreement subject to approval by the governing bodies of City, DDA and the LLC.

**Question:** The resolution as written references the Dahlmann Corporation as owner of the former Y-lot but the memo October 20<sup>th</sup> memo from Mary Fales refers to Fifth Fourth, LLC as the owner. Are these two corporations one and the same? (Councilmember Petersen)

**Response:** No. Title to the property is held by Fifth Fourth, LLC. Fifth Fourth, LLC is a Michigan limited liability corporation formed in November 2013. The LLC’s sole member is Dennis Dahlmann. The Michigan Department of Licensing and Regulatory

Affairs does list any assumed names listed for the LLC. There is no record of a corporation under the name “Dahlmann Corporation” authorized to transact business in the State of Michigan.

**Question:** How does this resolution, if passed, impact the existing agreement with Fifth Fourth, LLC to acquire a certificate of occupancy by April 2, 2018. (Councilmember Petersen)

**Response:** The short-term use of the property for public parking does not alter the covenants stated in the Warranty Deed transferring title to the property to Fifth Fourth, LLC, including the requirement that a certificate of occupancy for the proposed building be acquired by April 2, 2018.

The original DC-1 Resolution indicated a not to exceed 2-yr term of lease and negotiation of any remaining terms would have take into consideration the Cof O requirement. The actual length of the lease could likely be shorter than 2-yrs based on construction activities.

The substitute DC-1 Resolution includes a specific end date for lease anticipating a commencement date for construction activities.

### **DB-2 – Resolution to Approve MAVD Financial Institution Site Plan, 2727 S. State Street (CPC Recommendation: Approval – 8 Yeas and 0 Nays)**

**Question:** The Planning Commission recommended approval of the site plan subject to 1) recording of cross access easements, 2) approval of land division, 3) approval of administrative amendments to the parent site plan and the State Street Commons I site plan north of this site and 4) vacation of roadway rights across 2727 S. State Street. While I understand that Item 4 is addressed in DB-1, have the other conditional items been completed? (Councilmember Lumm)

**Response:** The conditional items for the MAVD site plan have not yet been completed. The petitioner submitted land divisions to the parent parcel (State Street Commons III) and the site to the north (State Street Commons I) along with administrative amendments to these sites at the same time the site plan was submitted. These petitions are currently under review by the City and approval is contingent upon approval of the site plan first. Building permits will not be issued until these items are completed.

### **DS-1 – Resolution to Approve Fuller Park Parking lot land Lease with the University of Michigan (8 Votes Required)**

**Question:** The PAC resolution from October 21<sup>st</sup> indicates that PAC recommends council approval of the lease renewal originally reviewed/recommended by PAC, “but that it be modified to reflect a 7.5% rate increase consistent with the previous rate

increases.” I’m assuming that recommendation means a 7.5% increase for all three lots and effective for both years, but can you please confirm that – Lot A and Lot B are \$38,581 annually (not \$35,890) and Lot C \$7,390 (not \$6,875) and those rates would apply to both years? (Councilmember Lumm)

**Response:** The 7.5% rate increase applies to all three lots and with a 7.5% increase the amount for Lot A and Lot B will be \$38,581 annually and \$7,390 annually for Lot C. It is effective for both years.

**Question:** The attachments to the resolution added Tuesday/Wednesday included data and e-mails with some rate analysis (using UM parking pass and DDA rate data). Was any other rate/benchmark data shared with PAC and, if so, can you please provide that to Council? I’m particularly interested in the rationale for the lease rates being the same for Lot A and Lot B. Lot A has twice as many spots, is leased for the full year (vs. 9 months) and is closer to the hospital. I understand that for Lot A, UM does snow removal (City does for Lot B), but I wouldn’t think that would make up for the size, term, and proximity. Can you please elaborate on the relative rates for Lots A and B. (Councilmember Lumm)

**Response:** Information shared included UM parking pass rates, DDA rates, and historical fees associated with prior Fuller Parking Lot leases. For Lot A the University performs and pays for winter maintenance. Additionally, Lot A was designed and constructed with UM funds while Lot B was designed and constructed with City funds.

**Question:** In Council’s September 15<sup>th</sup> resolution, PAC was asked to consider not only the proposed rates and duration of the lease, but also to identify any “projects of concern to the Parks and Recreation system within the Fuller Park Area.” One potential project I thought would be particularly relevant (and perhaps worthy of identification as a specific termination provision similar to the train station) is the Border-to-Border trail. The material provided to PAC for Oct. 21 included information on this from the PROS and Non-Motorized Plans (Appendix C) – did PAC discuss this and, if so, can you please provide a summary of that discussion? (Councilmember Lumm)

**Response:** PAC did discuss and determined that the parking lots do not adversely affect the ability to construct proposed pathways related to the Border-to-Border trail. Proposed pathways identified in the PROS and Non-Motorized Plans fit within the footprint of the existing parking lots therefore no termination provision is required. PAC also discussed that the parking lots do not affect any potential future connections that could be constructed between Fuller and Riverside parks, across the Huron River.

**Question:** Regarding the status of the Burr Oaks, thanks for the update included in the materials provided Tuesday (Appendix D). The information was helpful, but unfortunately there has been damage. What is still not clear to me though is what specific areas are contemplated in the UM/VA swap and whether either of those contain any of the landmark trees. In an AA News story, Jim Kosteva had indicated that the 2 acre parcel the VA still owns, but UM would get in the swap, is where the temporary parking is occurring. Can you please confirm if that is correct and what provisions could

be added to the City/UM agreement to maximize protection of the trees on at least the land owned by UM? (Councilmember Lumm)

**Response:** Staff are not aware of the specific details regarding the land swap between the UM and the VA.

**Question:** In terms of the VA-owned property, it was encouraging to hear they were receptive to the City's suggestions. Do we know how many trees will be removed when the VA does their garage expansion and is there anything else the City could be doing to work with the VA on their expansion to minimize the adverse impacts?  
(Councilmember Lumm)

**Response:** The proposed City/UM agreement outlines parking arrangements and responsibilities at Fuller Park. An agreement contemplating protection of trees on UM land would require additional attorney and staff research.

**DS-4 – Resolution to Approve Participation Agreement with Pittsfield Township for the Purchase of Development Rights on the Zella Polliery Property in Pittsfield Township, and Appropriate Funds, Not to Exceed \$59,367.00 from the Open Space and Parkland Preservation Millage Proceeds (8 Votes Required)**

**Question:** The memo indicates that the City will be paying \$59,367 towards the purchase of development rights that are valued at \$38,000. The City's \$59,367 includes 73% of the purchase price (\$27,800 of \$38,000) plus an additional \$7,700 for closing/due diligence and \$23,867 endowment. Can you please explain exactly what the "endowment" is and how the amount is determined? Also, given that the property is surrounded on three sides by Pittsfield Preserve that's owned and managed by Pittsfield Township, why is Pittsfield Township's contribution towards this PDR just \$5,000?  
(Councilmember Lumm)

**Response:** The endowment funds are set aside in a separate account to cover the annual monitoring and enforcement costs of the conservation easement. The City puts aside these funds for every conservation easement that the City has purchased, where the City is responsible for the monitoring and enforcement of the easements. The amount determined was established at the beginning of the program based on industry standards.

Pittsfield Township is contributing only \$5,000 as it does not have a land preservation millage, as some other townships do.