

## Memorandum

To: Sue McCormick, Public Services Area Administrator  
Sumedh Bahl, Community Services Area Administrator  
Tom Crawford, Financial Services Area Administrator

From: Matthew Naud, Environmental Coordinator

Date: June 28, 2010

Re: Brownfield Review Committee – Deli Partners, L.L.C

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The Brownfield Review Committee met on Monday, June 28, 2010 from 5:30 to 7 pm to review and make a recommendation to City Council on the proposed brownfield plan for the Zingerman's Deli expansion by Deli Partners, L.L.C.

*Council members: Marcia Higgins, Sandi Smith, and Stephen Kunselman*

*City and DDA Staff: Tom Crawford, Matthew Naud, Matthew Horning, Susan Pollay*

*Washtenaw County Staff: Brett Lenart*

*Zingerman's Project Team: Rick Strutz, Gary Bruder, Jared Belka (Warner Norcross)*

*Public: Mary Morgan*

Matthew Naud opened the discussion with a short description of the meetings to date and some of the unique issues on the site including a DDA parcel and non-DDA parcel and implications for tax capture.

Councilperson Kunselman initiated the discussion about the designation of the burned structure on Kingsley as functionally obsolete and the qualification of a site under the State Brownfield law. A letter from the city assessor designating the structure as functionally obsolete is expected in the next day or so.

Gary Bruder and Rick Strutz reviewed the proposed development including a series of extensive working sessions with the Historic District Commission to redevelop the site with a full understanding of HDC concerns. The project as proposed removes the burned structure and garage. The Annex structure is preserved by stabilizing it, moving it off of its current foundation, reconstructing the plaza with stormwater infrastructure and regrading to improve accessibility, rehabilitating and relocating the Annex onto a new foundation, then building the Deli addition to the rear of the existing Deli and the Annex and finally connecting the existing Deli to the new addition with a glass atrium structure. Councilperson Smith asked the project team about the associated costs with preserving the Annex. The construction costs of preserving the Annex are estimated at \$500,000.

Throughout the discussion, several benefits associated with the project were discussed including:

- An estimated 65 new jobs across the Zingerman’s Community of Businesses
- Preserving the Annex – a historic structure
- Building to LEED Silver or Gold standards – certification is not yet determined
- Improved efficiencies in loading and storage that should limit loading dock times and may reduce delivery trips
- Bringing the site up to current stormwater standards with underground detention and incorporating porous concrete into the design
- Adding bathrooms, and making the area ADA compliant
- Removing a functionally obsolete building
- The new addition moves cooking outside of the current deli building which is expected to help increase the life of the existing historic structure
- A small portion of the TIF capture supports the administrative costs of the WCBRA and also helps to build a revolving loan fund for other brownfield projects in the area
- The Brownfield Plan for the project includes \$817,265 in eligible expenses (including contingency), \$71,884 in WCBRA administrative fees, \$122,590 in Local Site Remediation Revolving Loan Fund, and simple interest of 5% for the eligible expenses. The development team noted that actual interest is currently higher than that number. Actual expenses are reviewed by WCBRA and the developer is only reimbursed for actual expenses. Total Capture is estimated at \$1,437,671.

	DDA Parcel	Non-DDA Parcel
DDA (2025)	\$402,057	
LDFA Smart Zone	\$205,817	
Brownfield TIF - State	\$135,091	\$434,040
Brownfield TIF - Local	\$49,898	\$818,643

In summary, the new project is estimated to generate \$2,072,675 in new taxes through 2025.

The DDA will capture an additional \$402,057 over this time period. The LDFA Smart Zone will capture an additional \$205,817 over this time period. These funds are not available for the Brownfield TIF capture. The remaining \$1.6 million of tax capture over this time period is available for the project. The city investment – by deferring receipt of taxes - is \$414,123 over the 15 years or \$27,000 per year to generate approximately \$2.5 million in investment - \$1.5 million in Brownfield TIF investment in the project and another 1 million in MBT credit. The city portion of the \$2.5 million in investment is approximately 16.5%. Based on estimates of 65 new jobs across the Zingerman’s family of businesses, the city investment equates to approximately \$415 per job per year. After the TIF capture period, all taxing entities will receive new taxes from this project - the city will begin to collect approximately \$30,000 per year.

After discussion, Councilmember Higgins moved that the Brownfield Review Committee recommend this Brownfield Plan to City Council for approval pending the financial review by city staff. Councilperson Kunselman seconded the motion. On a voice vote, the motion was unanimously approved.