

ANN ARBOR DOWNTOWN DEVELOPMENT AUTHORITY MEETING MINUTES
Monday, May 2, 2011
DDA Offices, 150 S. Fifth Avenue, Ann Arbor, MI 48104

Place: DDA Office, 150 S. Fifth Avenue, Suite 301, Ann Arbor, 48104
Time: DDA Chair Joan Lowenstein called the meeting to order at 12:03 p.m.

1. ROLL CALL

Present: Gary Boren, Newcombe Clark, Bob Guenzel, Leah Gunn, Roger Hewitt, John Hieftje, Joan Lowenstein, John Mouat, Keith Orr, Sandi Smith

Arrived Late: John Splitt

Absent: Russ Collins

Staff Present: Joe Morehouse, Deputy Director
Amber Miller, Planning & Research Specialist
Julie Uden, Management Assistant

Audience: Dave Askins, Ann Arbor Chronicle
Mark Lyons, Republic Parking System
Steve Knoespel, Republic Parking System
Josie Parker, AADL
Andrew Cluley, WEMU
Eric R. Basset, Self
Ryan Stanton, Ann Arbor.com

Prior to audience participation Ms. Smith made a point of order and asked for verification that the meeting had been properly noticed due to the date change. Mr. Morehouse verified that it had been sent over to the city clerk for posting, placed on Legistar as well as being posted in the DDA Office.

2. AUDIENCE PARTICIPATION

None.

3. REPORTS FROM CITY BOARDS AND COMMISSIONS

None.

4. STATUS OF TASKFORCE EFFORTS WITH DDA MEMBERSHIP

Mutually Beneficial Committee: Ms. Lowenstein stated that they were going to move the Mutually Beneficial Committee discussion to the Bricks and Money sub-committee report.

5. MINUTES

Ms. Gunn moved and Mr. Mouat seconded approval of the March 2, 2011 DDA meeting minutes.

A vote on the motion to approve the minutes showed:

AYES: Boren, Clark, Guenzel, Gunn, Hewitt, Hieftje, Lowenstein, Mouat, Orr, Smith
NAYS: None
Absent: Collins, Splitt

The motion carried.

6. BRICKS AND MONEY COMMITTEE

Mr. Hewitt began by saying the DDA was prepared to bring forth the new parking agreement resolution but there had been a new development this morning via communication from the city in regards to the TIF revenue. He stated that this development has some uncertainty and will have some financial implications to the DDA TIF revenue.

Ms. Lowenstein asked for clarification that the development was based on the DDA enabling ordinance.

Mr. Hewitt confirmed that it is part of the ordinance that enabled the DDA back in 1982 - Chapter 7, Section 1:156 Powers of the authority, number (2) Tax increment financing states " If the captured assessed valuation derived from new construction, and increase in value of property newly constructed or existing property improved subsequent thereto, grows at a rate faster that that anticipated in the tax increment plan, at least 50% of such additional amount shall be divided among taxing units in relation to their proportion of the current tax levies....." He noted that this did not come into play until 2002 when the DDA was reauthorized and set forth a new set of TIF revenue projections.

Mr. Hewitt continued by saying the City and the DDA have been crunching numbers since becoming aware and that the financial impact is uncertain. The language is not clear and is open to interpretation regarding how the limitation should be applied, including whether it's based on real or personal property, and if the limitation's cumulative or not cumulative. So at this point we are uncertain about the impact this could have on our budget and 10 year plan.

Mr. Hewitt stated he thought it imprudent to approve a parking contract with a financial commitment from parking funds until we have clear idea of the impact on our TIF funds. He added that some of our bonds are paid through TIF funds and didn't think they should move forward with any financial commitment until the Chapter 7 financial impact is clear.

Ms. Gunn asked when this information was received and if the City knew we had a parking agreement sitting in front of us. Mr. Hewitt responded by saying notification came around 9:30 am and he thought the City did know about the agreement since it was on their evening agenda as well.

Ms. Gunn stated that when we have initial construction, that money goes into our TIF and any value above and beyond that initial construction is returned to the participating governments. Doesn't that count as part of this estimation of TIF because we have always deliberately estimated our TIF in a conservative manner?

Mr. Hewitt said that is a good question, we are looking at the increase every year. Again, the legislation language is not very clear and we need to meet with the city and get a clear understanding of what this means, obtain a clear agreement on it and understand exactly what those financial implications are.

Mr. Hieftje commented that it was brought to his attention late on Friday and they had an assistant city attorney looking into it all weekend to try to come up with an interpretation because it has been sitting there in Chapter 7 for quite some time and had not been addressed. Mr. Crawford contacted the DDA

as soon as possible this morning to make sure it could be addressed before any action happened in the board room. He also stated that the language is unclear and agreed that it was prudent to postpone any action.

Mr. Clark asked how the discovery will affect our standing resolution and questioned if the execution date in that resolution would we need to be amended if a parking agreement is not finalized by the end of the fiscal year. Ms. Lowenstein said she was not sure on the terms.

Ms. Smith asked if they should address this question before the end of the meeting, should there be a need to amend it or abide by it. Ms. Lowenstein requested that DDA staff member Amber Miller make copies of the resolution for everyone to take a look. Mr. Hewitt noted that it is the resolution granting the City an additional \$2 million beyond its original amount. Ms. Miller provided the resolution and Ms. Lowenstein pointed out that if the DDA board could reach a new agreement with the City on parking revenues by June 30, 2011, the board would be abiding by the terms of its resolution.

Mr. Boren stated that there we many questions to answer and instead of addressing them all here wondered what would be a better process.

Mr. Hieftje suggested that before Mutually Beneficial meets again he would like to see legal staff and accounting staff together in one room to see if they could come up with an interpretation.

Ms. Lowenstein agreed and commented that she thought once everyone came together and figured out the legal language there should also be some sort of outside independent audit/auditor because the calculations could differ.

Ms. Gunn stated that one difficulty with the DDA legal counsel is that he would be unavailable starting tomorrow and she hoped that those skilled attorneys from the board would be able to assist in the process.

Ms. Lowenstein said they did plan on being part of the process and that she spoke with Mr. Jerry Lax (DDA legal counsel) to formulate some questions and said that he would be available beginning next week.

Ms. Smith asked how this would affect our other partners in the TIF capture.

Mr. Hewitt explained that roughly 60% goes to the city and 40% goes to three other taxing authorities: the community college, district library and the county.

Mr. Guenzel commented that Ms. Smith's point is well taken and that this information should be disclosed to the other taxing authorities so they can have their legal counsel look at it because we may come up with an interpretation that they disagree with.

Ms. Lowenstein said there would be correspondence sent to them and they would try to resolve these issues as quickly as possible.

Ms. Smith said she would like to thank Mr. Hewitt, Mr. Boren and Mr. Collins on the tremendous amount of work that went into crafting this agreement to see it not go any further and appreciate your position as a volunteer since it is a volunteer board and the city thanks you.

Ms. Lowenstein points out we still have parking agreement that is in effect so they were not working without one even though this resolution is on hold.

Mr. Hieftje suggests that since the resolution is on the agenda to go ahead and move it and then motion to table.

Mr. Splitt enters.

Mr. Guenzel moved and Ms. Gunn seconded the following resolution:

RESOLUTION TO APPROVE A PARKING AGREEMENT WITH THE CITY OF ANN ARBOR UNTIL JUNE 30, 2022 AND AMEND THE DDA APPROVED 2011/2012 AND 2012/2013 BUDGETS

Whereas, Since April 1992, pursuant to agreement with the City, the DDA has operated and maintained public parking facilities, leased or owned by the City;

Whereas, Under DDA management, the public parking facilities have become sustainable and have been maintained to the highest standards of safety and efficiency, and have been operated to support the goal of a vital, active, and attractive downtown core area;

Whereas, Under the current and enforceable City-DDA parking contract, in addition to parking revenue funds for the City's street funds, the City was to receive no more than \$10 million in parking revenues through 2015 which the City elected to take early in the contract period;

Whereas, In fiscal year 2010/11 the DDA granted to the City an additional \$2 million from parking revenues beyond what was required under the existing contract;

Whereas, Since May, 2010 the DDA and the City have, in good faith, negotiated toward a new agreement intended to supersede the 1992 Agreement as amended in 2002 and 2005, and provide reliable and fair payments from the DDA parking system to the City;

Whereas, Through these negotiations the Mutually Beneficial Committee has created a new DDA/City Parking Agreement that will benefit the City by providing additional revenue and the DDA by clarifying and strengthening its role in parking operations;

Whereas, The DDA Bricks and Money Committee recommends that the Board approve the Agreement, which provides for annual payment to the City of 17% of the gross parking revenue and a term of 11 years, with an 11 year option (agreement attached);

Resolved, That the DDA approves the attached Agreement if and only if the same Agreement is approved by City Council with no substantive changes; and

Resolved, That with the execution of this New DDA/City Parking Agreement with no substantive changes, the FY 2011/12 & 2012/13 DDA budgets will be amended to reflect this expenditure change.

Mr. Boren moved to table this resolution and Mr. Hieftje seconded the motion:

A vote on the motion to table the resolution showed:

AYES: Boren, Clark, Guenzel, Gunn, Hewitt, Hieftje, Lowenstein, Mouat, Orr, Smith, Splitt

NAYS: None

Absent: Collins

The motion carried.

Third Quarter and March Financial Statements 2011: Mr. Hewitt reported on the third-quarter financials for 2010/2011. The DDA had budgeted \$3,935,790 in TIF revenue, but revenues may be closer to \$3.7 million. The difference was attributed to the overall loss in commercial property value, which balanced out the addition of new projects.

Ms. Smith said the newest figures she'd seen showed another 2% loss.

Mr. Hewitt also reported March parking revenues were up.

Mr. Hieftje asked for someone to explain the jump in hourly parking patrons shown on the March 2011 spreadsheet. Mr. Hewitt stated it indicates people who park, but who don't have monthly passes. There's no accounting for the length of time they stayed.

Mr. Hieftje asked if there had been a big promotion or something during the month.

Ms. Lowenstein noted that last year, construction workers who had been working on the University of Michigan North Quad dormitory were using permits at the Maynard Street structure. Construction is over and their spaces are now used by hourly patrons.

Mr. Hieftje commented that the number was up by 13,000, which is about one-third. He said it's a big jump and it had caught his eye. Mr. Hewitt said it takes a while for people to realize that the spaces are available again.

Fifth & Division: Mr. Splitt reported that Eastlund Concrete would start working again very shortly, if they have not already started. Ms. Gunn noted that the construction barrels had been set out.

S. Fifth Avenue Underground Structure: Mr. Splitt reported that progress continues on the east leg (Phase 1) where slabs and walls are already poured. Phase II work begins with pouring the slabs. Phase III excavation continues and footings are being poured. Mr. Splitt mentioned that SME has finished inspections and repairs of the earth retention system on the north side of the site and have moved to the west side.

Mr. Splitt said he is hoping to schedule a visit of the underground parking structure for the next meeting of the Bricks and Money Committee. He commented that a staircase on the east side of the garage will likely be completed by then and would make it easier to tour.

7. ECONOMIC DEVELOPMENT/COMMUNICATION COMMITTEE
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Ms. Lowenstein reported Donna Shirilla, Ann Arbor SPARK's director for research and business information, joined them again to continue their March conversation and provide more in-depth business information.

Ms. Shirilla presented SPARK's database of downtown businesses, including industry cluster information and number of jobs. The database information showed that the IT sector is the most prevalent type of company in the downtown area; making up 1/3 of the County's IT businesses and 15% of the County's IT employment; the downtown IT firms are primarily small – downtown has the

space and the atmosphere that they are looking for. While rents are higher here, it does not seem to be a deterrent; and small amounts of life science and automotive sectors are downtown as well, but those are harder to accommodate due to their needs for larger floor-plates and specific layouts.

Ms. Lowenstein said Ms. Shirilla mentioned last month that once firms reach a certain size, many reluctantly leave downtown due to the lack of large space available. In addition, when firms begin employing hundreds of employees parking becomes a larger concern. Ms. Shirilla felt that if the building accommodations exist, large and expanding businesses would stay or locate here; sharing that some of Ann Arbor's attractiveness is its highly educated community, the quality of life, great public education, and diversity.

Ms. Lowenstein stated that with Ms. Shirilla's feedback, the committee began thinking about ways the DDA and SPARK could collaborate to attract and retain businesses, employees and residents. The suggested ideas included a round table discussion with IT firms to talk about space, talent & other needs; and sharing information to help one another's efforts. For example, downtown housing opportunities and information on quality of life amenities would be helpful for SPARK's recruiting efforts.

Ms. Lowenstein also reported that the committee discussed making improvements to the DDA website. She said that after reflecting on the committees overall communication goals, we felt it would be beneficial to re-organize the current information to highlight the Downtown – calling out sections that provide information on Working (business and development), Living, and Playing Downtown.

Ms. Lowenstein said that in addition, staff will continue to enhance usability through elements such as an interactive parking and transportation map.

8. PARTNERSHIPS COMMITTEE

Energy Saving Grant Program: Ms. Smith shared that the investment in the Energy Grant Program has been remarkable so far; 86 energy audits have been completed, and 28 buildings or businesses have installed \$650,007 worth of energy saving improvements with DDA rebates totaling \$170,787. She said that this is a clear example of the mission of the DDA, leveraging a small amount of money to encourage investment in buildings and businesses.

She said the committee will continue discussing how to distribute a small grant for this program, if any, going forward and to prioritize what to do with those. Should all funds be used for phase II grants or should some portion go to audits?, Should the max phase II grant amount be reduced so the funds are spread more widely?, and Should funds be expended in the future as they are today – first come, first serve – or should a priority be set for recipients who had delayed audits last year? They must sort through priorities with diminishing resources.

Ms. Smith said the committee gained a lot of interesting insight into RFP processes from Mr. Di Rita, Roxbury Group, who joined the committee meeting. Mr. Di Rita used examples of RFP success and failure in Detroit and noted that the most successful strategies have a specific vision and are clear about what they want in an RFP. Those that are general and cast a wide net of ideas for the site usually don't go anywhere. A successful process has an articulated community vision and strong sense of what we're looking for.

Ms. Smith mentioned that Josie Parker, AADL, and Jesse Bernstein, AATA, also joined the table for discussion. They both agreed that you need a lasting vision – not just a vision of tomorrow, but for future years (30 yrs). A recent example to use as a model is public input process for the AATA County-wide Plan.

Mr. Hieftje noted that thanks to the grant payment program the city has hired a staff person to work on PACE, and part of her mission is to engage with other groups and explain PACE and how it is moving along. He said most of the pieces of the program are in place and the stop gaps should there be lack of payment. He mentioned it would help if the DDA would help roll out PACE in the downtown area because the city will be going city wide.

Ms. Smith noted that PACE is designed for much bigger property owners. The beneficiaries of the DDA's energy saving grant program are small businesses.

9. TRANSPORTATION COMMITTEE

Mr. Mouat reported the transportation committee continues moving through recommendations in the Parking and TDM Plan. He said for the April committee meeting members and staff conducted a downtown walk-around, exploring the DDA from a pedestrian perspective and paying special attention to the edges. As we walked, we paid attention to the overall experience in different areas and noted possible improvements from trip hazards to the installation of intersection count-down signals.

Mr. Mouat said from the walk-around a list was created of possible improvements, including: Sidewalk repairs at rail road intersections and Main Street trip hazards/vaults, completion of downtown bike sharrows and signage installations, count-down signals at key intersections, and enhanced plantings at parking lots and structures

He said they also noted the need of long-term projects such as Kerrytown re-bricking, possible plaza enhancements (Farmer's Market), and Huron improvements.

Mr. Mouat said at the next committee meeting they will be selecting projects to move forward with and prioritizing what they can accomplish within a small budget. He also stated the committee will hear updates on other projects, including AATA's County wide plan, and DDA transportation partnerships - getDowntown's projects, and WBWC's education campaign.

Mr. Hieftje stated that Ann Arbor had been awarded a gold level Walk Friendly Community by the Pedestrian and Bicycle Information Center.

10. OTHER DDA BUSINESS MATTERS

None.

11. OTHER AUDIENCE PARTICIPATION

None.

12.	ADJOURNMENT
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There being no other business, Mr. Orr moved and Mr. Guenzel seconded the motion to adjourn. Ms. Lowenstein declared the meeting adjourned at 12:52 p.m.

Respectfully submitted,
Joe Morehouse, Deputy Director