

ANN ARBOR DOWNTOWN DEVELOPMENT AUTHORITY MEETING MINUTES
March 3, 2010

Place: DDA Office, 150 S. Fifth Avenue, Suite 301, Ann Arbor, 48104
Time: DDA Chair John Splitt called the meeting to order at 12:05 PM

1. ROLL CALL

Present: Gary Boren, Russ Collins, Leah Gunn, Jennifer Hall, Roger Hewitt, Joan Lowenstein, John Mouat, Keith Orr, Sandi Smith, John Splitt

Absent: Newcombe Clark, John Hieftje

Staff Susan Pollay, Executive Director

Present: Joe Morehouse, Deputy Director
Joan Lyke, Management Assistant
Amber Miller, Planning & Research Specialist

Audience: Dave Askins, *Ann Arbor Chronicle*
Andrew Cluley, 89.1 WEMU
Ray Detter, Downtown Area Citizens Advisory Council
Ray Fullerton, Downtown Area Citizens Advisory Council
Judy Foy, Foy Communications
Adrian Iraola, Park Avenue Consultants, Inc.
N. Kaplan, Citizen
Mark Lyons, Republic Parking System
Brad Mikus, Citizen
Mike Ortlieb, Carl Walker, Inc.
Nancy Shore, getDowntown
Ryan Stanton, Ann Arbor.com

2. AUDIENCE PARTICIPATION

Mr. Mikus noted that the proposed 2010/11 DDA budget was tight and he suggested the DDA pay close attention to actual numbers rather than budgeted amounts. He said that even though the fund balance would be lower in the next 12-18 months, it appears things will be ok if revenues come in as anticipated. Mr. Hewitt said that he would respond to comments regarding the financials during the Operations Committee report.

3. REPORTS FROM CITY BOARDS AND COMMISSIONS

Downtown Area Citizens Advisory Council: Mr. Detter said the CAC supports: actions to improve conditions at Courthouse Square; the DDA's TDM efforts; Zingerman's expansion so long as it respects the Downtown Plan, the Central Area Plan, and the Historic District; taking two years for "area planning" including AADL, Blake Transit Center, the former YMCA site, and Liberty Plaza and possibly the Palio parking lot; 415 W. Washington as a future Art Center and Greenway link; and the efforts of the newly appointed A2D2 Design Guidelines steering committee. CAC is opposed to a large park on top of the Fifth Avenue underground parking structure.

Mr. Clark joins meeting via speaker phone.

4. STATUS OF TASKFORCE EFFORTS WITH DDA MEMBERSHIP

Mutually Beneficial Committee: Ms. Smith said the committee met and dialogue seems to be positive. She expects to have more information to report in a month or two.

Library Lot Advisory Committee: Mr. Splitt reported the committee asked Valiant and Acquest for additional information. In the meantime, Mr. Fraser is considering proposals from the consultants who will review proposal financials, and the Committee will meet after it receives a report from the consultant. Ms. Smith asked about the deadline for the possibility of design changes to be made for what eventually will be built on top of the underground garage; Ms. Pollay explained that the time for major changes had passed last summer, and the time for small design changes such as adding additional footings would soon pass as well. She said that each of the teams proposing to develop on top of the parking structure had team members associated with the parking structure design, so there was an awareness of project specifications.

Ms. Hall asked about questions in the community that had been raised related to removing or altering the extra building support being incorporated into the underground garage to save money if it turns out the structural supports are not needed. Ms. Pollay said that the parking structure had been designed from the beginning to bear the weight of a building so removing this extra capacity would require extensive engineering and thus would add cost.

5. MINUTES

Ms. Gunn moved and Ms. Smith seconded approval of the February 3, 2010 DDA minutes.

A vote on the motion to approve the minutes showed:

AYES: Boren, Clark (on speakerphone), Collins, Gunn, Hall, Hewitt, Lowenstein, Mouat, Orr,
Smith, Splitt

NAYS: None

Absent: Hieftje

The motion carried.

6. OPERATIONS COMMITTEE

Financials: Mr. Hewitt said the January 2010 hourly parking report reflects a 3.69% revenue increase and a 10.17% patron number increase over January 2009. It was noted that there was one fewer business day than in January 2009, which makes the continuing market demand very encouraging.

LED Grant: Mr. Hewitt announced the City and the DDA received a grant from the State of Michigan that would be used to install energy-saving LED lights and light-dimming motion detectors in the lower 3 floors of the 4th & Washington structure. The DDA will receive \$29,241 (90% of the actual equipment cost), and the estimated cost savings is \$5,197/year. Mr. Morehouse was asked to see if the DTE Energy Saving Rebate program could be tapped to add to these savings.

On-Street Parking Survey e-park: Mr. Hewitt reported 95 people participated in an e-park user sidewalk survey in February. The results indicate a high majority of users (91.4%) reported the machines as very easy, easy or somewhat easy to use. Ms. Hall noted responders did not seem to know they could pay by phone and she suggested that staff promote that feature.

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

RESOLUTION TO APPROVE THE REVISED DDA BUDGET FOR FISCAL YEAR 2009/10

Whereas, The DDA Board passed a FY 2009/10 budget for the DDA on February 4, 2009;

Whereas, The DDA Board has approved items not anticipated in its FY 2009/10 budget, thus, necessitating a budget revision so that the budget better aligns with DDA resolutions;

Whereas, The Operations Committee recommends approval of this budget revision by the DDA;

RESOLVED, The DDA approves this amendment to its FY 2009/10 budget.

Mr. Hewitt said that after the 09/10 budget was approved the DDA explored various financial scenarios to pay for the Fifth & Division and parking structure projects plus other obligations, and ultimately approved parking rate increases less than assumed in the 09/10 budget. The Operations Committee has tracked actual revenues and expenses through the year and they match almost exactly the Ten Year Plan scenario used to approve the project budgets and bond. It made sense to amend the 09/10 budget to match what has actually taken place, not what was initially projected. The Operations Committee has asked staff to draft text in future resolutions that would automatically amend the DDA budget if these resolutions are approved, which will reduce the need for budget amendment votes.

Mr. Collins asked about the variance in TIF expenses; Mr. Morehouse said that government accounting is done on a cash basis during the year with reimbursements done later. Mr. Hewitt said that most nonprofits and businesses use an accrual basis form of accounting. **Mr. Clark suggested a friendly amendment that the annual interest payment (\$68,000) for the former YMCA site/parking lot be shifted from a TIF expense to a parking expense. Mr. Hewitt and Ms. Gunn accepted the motion as friendly.**

A vote on the resolution as amended showed:

AYES: Boren, Clark, Collins, Gunn, Hall, Hewitt, Lowenstein, Mouat, Orr, Smith, Splitt

NAYS: None

Absent: Hieftje

The motion carried.

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

RESOLUTION TO APPROVE THE DDA BUDGET FOR FISCAL YEAR 2010/11

Whereas, The DDA has developed a Ten-Year Financial Plan, including projected income and expenses for debt service, capital improvements projects and parking operations.

Whereas, The DDA Operations Committee has developed a detailed 2011/12 fiscal year budget for the DDA based on the DDA's most recent Ten-Year Plan;

Whereas, The Operations Committee recommends approval of these DDA budgets by the DDA;

RESOLVED, The DDA approves its 2010/11 fiscal year budget.

Mr. Hewitt provided an overview of the proposed budget. He said that the DDA would continue drawing down its fund balances to provide the 15% cash portion of the S. 5th Avenue Underground Parking Structure and the 5th & Division Improvements projects. He said that the TIF revenue amount was provided by the city and the parking revenues are assumed using actual 09/10 figures plus the parking rate increase that will be in effect July 1, 2010.

Mr. Hewitt said that given the large expenditures taking place this year and the drop in fund balances, the Operations Committee is recommending several budget reductions in 10/11. These include: 1) eliminate \$250,000 from the Phase II of the Energy Grant program; 2) reduce in half the amount for conferences, and 3) decrease from \$200,000 to \$100,000 the amount of money transferred to the Housing Fund from TIF. It is also recommended that the DDA not put funds aside this year for area association grants as it did this year.

Mr. Hewitt said that the DDA Housing Fund balance stands at \$1.5M even with all the grants that have been provided in the recent past, and that if desired the DDA could make up the difference in future year transfers. Ms. Smith stated she would like to see a formal mechanism for replacing the funds. Ms. Gunn said the DDA could always restore the funds if it received a viable proposal. Ms. Smith said that all of the \$1.5M fund balance is encumbered with DDA commitments. Mr. Hewitt said that \$400,000 is committed to Village Green's City Apartments, and at this time there is no indication when the funds would be needed as they are not due until the project receives its certificate of occupancy, which is at least a couple years off. Mr. Clark asked for further clarification of DDA's commitment for the Village Green project; Mr. Hewitt explained the DDA has also agreed to pay \$9M for the underground parking structure component of this project.

Ms. Hall said that when the parking structure was approved it was her understanding there would be adequate funds to maintain ongoing programs and new initiatives in the manner which was consistent in past years, and she asked what had changed that resulted in this reduced budget. Mr. Hewitt explained that recent DDA actions resulted in approximately \$350,000 in fund reductions, notably the decisions to support the City's request to provide it with all net parking revenues from the 415 W. Washington and Old YMCA parking lots. Ms. Hall said that she wanted it clearly noted that cuts in the line items noted above were the direct result of parking revenues being transferred to the City.

Mr. Clark said he supported leaving funds in the budget for these Phase II grants, he wanted to see funds being set aside for grants to the Area Associations, and he wanted to take out the \$2M shown as a contingency to be given to the City. He said that the City has not asked for the \$2 million and yet the DDA budget showed a contingency that was affecting its ability to do programs central to its mission.

Mr. Mouat asked what the DDA was trying to accomplish by picking apart the budget. Mr. Hewitt explained the City CFO asked the DDA to keep its fund balances at a certain percentage level, and the Operations Committee reviewed each budget item and tried to ascertain which items were or were not critical. Mr. Mouat asked if the Committee looked at everything; Mr. Hewitt said that certain items couldn't be touched such as debt service, but that yes, the Committee went item-by-item. Mr. Orr asked if the \$100,000 for Phase II grants would endanger the fund balances minimum; Mr. Morehouse said yes. Ms. Gunn asked if the Village Green encumbrances (parking structure and affordable housing) could be set aside since it wasn't clear when or even if they would be moving forward, thus making funds available for other projects. Mr. Hewitt said that he thought it prudent to keep the encumbrances shown, but he asked DDA members to note that if they were uncomfortable with projections the board could revise its budget in December if it felt that it was necessary.

Ms. Smith said that the proposed elimination of the Phase II Energy Grants and Housing Fund decrease gave her pause. In particular, the Phase II grants have a direct effect in the market place and the reports demonstrate success not only in energy efficiency but in helping businesses make reinvestments and improvements in their buildings. **Ms. Smith proposed and Mr. Orr supported an amendment to restore \$100,000 for the Energy Grant Phase II program.**

Mr. Collins said that he thought it was terrible to be surprised about the proposed elimination of Partnerships Committee grant projects in the proposed budget, and that he and Ms. Smith should have been notified in advance. He said that he agreed that not anticipating the Village Green housing and parking costs would be imprudent, and the Operations Committee making decisions to eliminate or reduce Partnerships Committee grants was just as imprudent.

Ms. Hall proposed reinstating all the grant amounts back into the budget. Mr. Collins said he was comfortable not reinstating Area Association grants, as this had been a source of contention in the past. Ms. Hall restated that she would like to restore all the grant funds. Ms. Smith said she was comfortable with just restoring \$100,000 to Phase II grants for the year. She said she also echoed Mr. Collins statements, and said that Operations Committee members should have come to Partnerships before deciding to reduce or eliminate line items from what were Partnerships Committee areas. Mr. Hewitt acknowledged this and apologized.

Mr. Mouat asked if the line items were restored how that would affect the fund balance; Mr. Hewitt said that the fund balance would still be in the acceptable range if \$100,000 were provided for Phase II grants. Ms. Smith restated her motion to restore \$100,000 to the proposed budget for the Phase II Energy Saving Program.

A vote on the motion to restore \$100,000 to the Phase II Energy Saving Grant Program showed:

AYES: Boren, Collins, Gunn, Hall, Lowenstein, Mouat, Orr, Smith, Splitt

NAYS: Clark, Hewitt

Absent: Hieftje

The motion carried.

Ms. Hall moved and Mr. Clark seconded an amendment to the proposed budget to decrease the amount of the contingency by \$350,000 (to \$1,650,000) and restore the reduced and eliminated grant amounts to the budget. Ms. Hall said that funds from the parking agreement to the City expired this fiscal year and there is no current mechanism to continue these payments to the City. Since the idea of a mutually beneficial agreement committee was formed to discuss future payments to the City, the City asked for and the DDA agreed to provide the City with net amounts from the two parking lots totaling \$350,000 so the contingency being set aside for the future possibility of giving the City \$2 million should be reduced by this amount.

Mr. Collins said that past budgets don't have to imply future budgets. Budgets are a tool, and the DDA has the ability to cut its budget when necessary. He said that a member of the audience earlier in the meeting had admonished the DDA to be prudent, which is a policy he agreed with. He said that there is a good faith process underway with the City, and if the contingency were removed it would weaken the DDA's position. Ms. Gunn said that she agreed with Mr. Collins.

Ms. Hall said that the DDA had been acting in good faith to help the City maintain a \$2M annual transfer. The DDA came forward proactively then there was no response from the City for many months. In the meanwhile the City asked for and the DDA agreed to pay an additional \$350,000 to the City so it would now appear that the amount under discussion is \$2.35M a year. Given this transfer to the City, the DDA is being forced to cut downtown programs that we believe in. She said that she felt this was not mutually beneficial.

Mr. Clark said that these numbers are arbitrary and he has no issue with the City getting \$2 million dollars or \$10 million dollars, however, he said any amount should be off the table until we know what the implications will be. He said he thought the DDA should draw a line in the sand and

remove the contingency, as he is not in favor of cutting programs that support the downtown which is what the DDA is here to do. Ms. Gunn said she supported Mr. Collins' concerns about the Mutually Beneficial discussions.

Ms. Lowenstein said that the DDA knew the City would ask for additional funds once it depleted the Parking Agreement of funds. The Mutually Beneficial Committees have begun meeting, and if the DDA reduced or eliminated the \$2M contingency line item from the DDA budget it could result in harming the progress that has been made in discussions.

Mr. Boren said he was very sympathetic with Mr. Collins' position, and that it would hurt the progress of discussions to remove the contingency from the budget. He said that he would support the proposed amendment.

Ms. Gunn stated she has had a problem with the Area Association grants as she isn't seeing the results. She said she also hasn't seen much about the Main Street BIZ's activities. She said she could not support funding Association grants in 10/11.

Mr. Clark said that DDA staff had received reports from the KDA and MSAA but perhaps not from the other two. He reiterated his position that the DDA members should go to the Mutually Beneficial committee meetings with zero on the table and ask the City what it needs and outline what we need.

Mr. Orr said he felt that mutually beneficial means mutual sacrifice from both parties. He suggested that the DDA set a smaller amount for Area Association grants this year rather than not fund them at all. Two of the Associations did provide a report. He also said that the Main Street BIZ was in the middle of a property owners vote and if the results are favorable the program could be in place this summer. Programs are working and the DDA grants made a difference.

Ms. Smith said she appreciated the spirit of the amendment, and is interested in providing more money for grants, but she said she was not ready to support the motion to remove the contingency. Mr. Collins asked to call the question. Ms. Gunn seconded calling the question.

A vote to approve the amendment to the resolution to reduce the contingency line item by \$350,000 and restore all other line items showed:

AYES: Boren, Clark, Hall

NAYS: Collins, Gunn, Hewitt, Lowenstein, Mouat, Orr, Smith, Splitt

Absent: Hieftje

The motion failed.

A vote to approve the DDA budget for fiscal year 2010/11 as amended:

AYES: Boren, Collins, Gunn, Hewitt, Lowenstein, Mouat, Orr

NAYS: Clark, Hall, Smith, Splitt

Absent: Hieftje

The motion carried.

TDM/ Parking Plan: Mr. Hewitt encouraged DDA members to read the draft introduction to what will become the DDA's parking plan. Operations and Transportation Committee members have been reviewing content by staff at each TDM (Transportation/Parking Demand Management) meeting. It is anticipated that staff will have a complete draft available for feedback and edits at the March 31st TDM meeting. The edited document will be part of the April 7th DDA board meeting

packet, and it will be finalized at the April 14th Partnerships Committee meeting before being provided to the City in time for the April 19th deadline.

7. PARTNERSHIPS COMMITTEE

Energy Saving Grant Program update: Ms. Smith stated she was happy the \$100,000 had been restored in FY 2010/11 for Phase II energy grants. She reported 42 buildings have had an energy audit; and 15 buildings made improvements under 08/09 program. The 15 buildings installed \$138,000 worth of improvements, of which the DDA paid approx \$58,000; these improvements will save \$24,524/year in energy costs.

Wireless Washtenaw: Mr. Collins said Tom Crawford provided an update. This has been a multi-year City/County partnership with the goal of eventually getting wireless access throughout the County. Three pilot areas are currently running: Ann Arbor, Manchester, & Saline. Mr. Crawford reported the project hasn't grown as it was originally envisioned, and a federal grant has been applied for that might infuse the project with new funding. Mr. Crawford said he would be willing to help if the DDA wanted to pursue its own downtown wireless project. However, he recommended that the DDA also investigate 1) broadband – as TV goes digital, the broadband spectrum will become available for communications, and 2) installing fiber in downtown – this infrastructure is much-needed by high tech firms like Google.

DDA retreat planning: Ms. Smith said Ms. Alexander met with the committee regarding the retreat, scheduled for March 16th at 12noon at the Bodman offices, 201 S. Division, 4th floor. Details of the meeting will be provided as they are finalized.

Other: Mr. Collins said that Partnerships also discussed the draft parking plan including the values survey and the introduction. Ms. Smith reported that Ms. Carlberg provided a Planning Commission update on various projects, including Downtown Design Guidelines.

8. TRANSPORTATION COMMITTEE

Sidewalk sandwich signs: Mr. Mouat said the committee came to a shared position that sidewalk sandwich signs are part of a vibrant downtown streetscape, enhance the pedestrian experience and engage people at the street level. The committee asked staff to present its position to City Council that safety and access could be addressed without adding a burden to downtown businesses with another permit process.

Bicycles: Mr. Mouat said the committee reviewed a draft downtown bike map created by Ms. Miller. Some minor edits were suggested but overall the design and content looked great. He said that a new feature has been added to the DDA website that allows people to request a bike rack.

Parking plan: Mr. Mouat said that the Committee had received information on the public input efforts of this project.

9. CAPITAL IMPROVEMENTS COMMITTEE

S. Fifth Avenue Structure: Mr. Splitt said that earth retention steel beams have been installed along the east perimeter of the site, and excavation would begin the next week. DTE and AT&T have completed their work along the east and south property lines. Relocations along the north property line are underway.

Fifth/Division Improvements: Mr. Splitt said that work will restart in April.

10. OTHER DDA BUSINESS MATTERS

Mr. Hewitt said the City is revisiting the entire process for design guidelines. He encouraged City Council to consider appointing a DDA representative to serve on the steering committee.

Mr. Clark asked about the status of information about individual property assessments; Mr. Hewitt said that the DDA is not provided this level of detail. Mr. Clark suggested that the DDA continue to be conservative in its TIF revenue projections.

11. OTHER AUDIENCE PARTICIPATION

Mr. Mikus encouraged the DDA to pay very close attention to parking revenues compared with expenses, as there is a 10% difference in the line item. Mr. Hewitt responded, saying that the parking rate increase that will go into effect July 1st is anticipated to address this difference. Mr. Collins said that he has always known the DDA to be very conservative in its revenue expectations.

12. ADJOURNMENT

Ms. Gunn moved and Mr. Orr seconded adjournment of the meeting at 2:12 PM.

Respectfully submitted,
Susan Pollay, Executive Director