MINUTES
Downtown Development Authority Meeting
Wednesday, January 8, 2003

Place: Kerrytown Concert House, 415 N. Fourth Avenue, Ann Arbor, MI 48104
Time: DDA Chair Bob Gillett called the meeting to order at 12:08 p.m.

1. ROLL CALL

Present: Rob Aldrich, Fred Beal, Ron Dankert, David Fritz, Bob Gillett, Rene Greff, Leah Gunn, Lorri Sipes, Dave Solo
Absent: Dave DeVarti, John Hieftje
Staff: Susan Pollay, Executive Director
       Joe Morehouse, Deputy Director
       Adrian Iraola, Project Manager
       Sarah Armstrong
Audience: Scott Anderson, Ann Arbor News
          Jim Corbett, Republic Parking System
          Brandt Coultas, Chamber of Commerce/Get!Downtown Program
          Ray Detter, Citizens Advisory Council
          Tom Fraerman, LibertyFirst Joseph Freed
          Paula Gardner, Business Direct Weekly
          Mike Girard, Swisher Commercial
          Kim Groome, City Councilmember
          Jennifer Hall, City of Ann Arbor, CDBG Department
          Bob Henderson, Citizens Advisory Council
          Mark Hodesh, Downtown Home and Garden
          Donna Johnson, City Planning Department
          Edgar Levin, LibertyFirst Joseph Freed
          Jim Mogensen, Citizen
          Scott Munzel, Bodman, Longley & Dahling
          Ethel Potts, Citizen
          Margie Teall, City Councilmember
          James Tischler, Steppingstone Properties Ltd.

2. APPROVAL OF MINUTES

Ms. Sipes moved and Ms. Gunn seconded that the minutes of the December 4, 2002 meeting be approved.

A VOTE ON THE MOTION SHOWED:
AYES: Aldrich, Beal, Dankert, Fritz, Gillett, Greff, Gunn, Sipes, Solo
NAYS: None
Absent: DeVarti, Hieftje
The motion carried.

Ms. Greff moved and Ms. Gunn seconded that the minutes of the December 6, 2002 DDA Midyear Retreat meeting be approved.

A VOTE ON THE MOTION SHOWED:
AYES: Aldrich, Beal, Dankert, Fritz, Gillett, Greff, Gunn, Sipes, Solo
NAYS: None
Absent: DeVarti, Hieftje
The motion carried.
3. **AUDIENCE PARTICIPATION**

Mr. Brandt Coultas presented a brief update on the Go! Pass program. He said that there had been an 8% increase in the number of participating businesses from the previous January, but a 3% decrease in the number of passes in circulation, due to businesses reducing their workforce size over the previous year.

Ms. Ethel Potts asked the DDA to review its policies about parking permits. She said she would like to see as many spaces as possible in the structures dedicated to downtown shoppers; and said that priorities should be 1) loft residents, 2) businesses, 3) the general public, and then finally, permits to support new construction unless developers provide at least some of their own parking. Ms. Potts asked if permit spaces could be shared between residents and businesses. Again, she reaffirmed her request that a priority system be established.

Mr. Tom Fraerman, Executive Vice President of Joseph Freed and Associates, addressed the DDA about the First & Washington project. He said that he was surprised to see a resolution on the agenda that would terminate the agreement, and that LibertyFirst was still interested in pursuing this project. Their company has constructed many projects and they pride themselves on having an excellent relationship with their banks, tenants, partners and others, and they will work hard to justify the trust placed in their company. He said this project would benefit the community in many ways, including a $1 million contribution to affordable housing, a new parking garage, an increase in taxes, more people living downtown, and a connection between the downtown and the Old West Side. He said that although they have worked hard on the project, there are still problems to be resolved. A no-cost option would be to add 12 ft. to the height. Other solutions could be offered. In summary, he said that LibertyFirst requested DDA’s cooperation in making this project happen and would be glad to answer any questions.

Dave DeVarti enters.

4. **CITIZENS ADVISORY COUNCIL**

Ray Detter reported:
I’m going to start the New Year with a somewhat philosophical report. It relates to the philosophical theory of holism that “wholes” (which are more than the mere sums of their parts) are fundamental aspects of the real. The emerging position of the Citizens Advisory Council is that the downtown must be developed with a clear concept of its identity as a whole. This requires a clear vision of what that identity is and should be.

All members of the CAC are expected to be involved in one or more projects, committees, associations, plans, etc. dealing with the future of the downtown. We have members who are respectively Chair of the Shelter Advisory group, Vice President of the State Street Association, Vice President of the OFW Assn., affiliated with DPAC, CAPP, the Urban Environment Alliance, etc. When we all come together once a month, we share information about the various activities in which we are involved.

At last night’s meeting, as we moved through reports on our agenda, some of us were struck with the way in which everything we talked about seemed to relate to something else with which we were dealing: While the central focus of our concern is on residential issues, concerns about pedestrian and transportation issues as well as issues of parking, density, design and future downtown development are clearly related.

Good planning for the downtown requires that we all have a good grasp of the way in which these concerns are interrelated. As only one example, bike and pedestrian strategy is currently related not only to our concerns about the future of State Street and Liberty, it also relates to what we chose to do at First and Washington, to the need for park and ride lots, future Allen Creek land uses, greenways and Lower Town.

The Citizens Advisory Council recently sent to Mayor Hieftje and City Council our recommendation for DDA renewal. We praised what the DDA has done in the past as well as its commitment to strategies for attaining its seven objective area goals for the future: development partnerships, infrastructure, transportation, business encouragement, housing, identity, and sustainability.
Our statement quoted the amended Plan: “The DDA is the only agency whose mission is to sustain that which is remarkable and necessary about Ann Arbor’s downtown. This includes supporting the goals and concepts of the Ann Arbor Downtown Plan (1988), the Central Area Plan, (1992) and advocating for the resources and policies that enable these plans to be realized.”

This requires vision. We recognize that only the DDA is uniquely equipped with the creative focus and the economic tools necessary for the strategic planning that enables us to realize our long-term community goals for the downtown. To do that, the DDA has to be able to see all the parts of the downtown and shape those parts with a clear awareness of the importance of each part in relation to the “whole”.

Nobody said it would be easy!

But the CAC expects the DDA to struggle with this difficult task. It is also our task during the coming years.

5. NEW BUSINESS

Mr. Gillett recognized two new City Council members, Margie Teall and Kim Groome, and thanked them for their interest in attending this meeting.

Mr. Gillett also made mention of Ms. Pollay’s email about Mayor Hieftje’s family situation and on behalf of the board, expressed the DDA’s support for him and his family during this time.

6. OLD BUSINESS

None.

7. SUBCOMMITTEE REPORTS

PARTNERSHIP COMMITTEE

First/Washington Project Status. Mr. Aldrich reported that the Committee had met to consider the letter received from Joseph Freed and Associates, which declared Liberty/First’s notice to proceed with certain conditions. Three of the four conditions were related to survey titles and flood plain issues, as well as some technical issues. The fourth issue was related to Liberty/First interest in retaining an option to pursue construction of a fourth residential floor for the project. Mr. Gillett clarified that it had been the Executive Committee that met to discuss this, not the Partnerships Committee, and said that it was the feeling of the Committee that a tremendous amount of effort had been put into this and yet there are still remained significant disagreements, and it is unclear if the economics of the current arrangement would ever work. He also said that counsel was asked to look at the letter and they responded that the letter was not an acceptance of a notice to proceed on the terms and conditions in the development agreement and that the DDA had several options. The DDA could resolve that LibertyFirst had not notified the DDA properly by the end of the inspection period, and thus the agreement was terminated. Alternately the DDA could point out that this letter breeches the agreement and to give some kind of cure rights to LibertyFirst; or the DDA could accept the new conditions and move forward. After much discussion, it was the consensus of the Committee not to accept the conditions, as it would entail reopening the process of negotiation. It was not a unanimous stance on the part of the Committee; rather it was a majority position. Mr. Aldrich said that in November and December the Partnerships Committee discussed at length the merits of adding a seventh floor to the project, but it’s clear that there isn’t community support to do that, and LibertyFirst has reported that the economics of the project doesn’t work at six floors. Mr. Fraerman asked if he could respond, to which Mr. Gillett agreed. Mr. Fraerman said that the letter states LibertyFirst’s strong interest in proceeding, not to terminate, and that it raised issues of concern and reaffirmed LibertyFirst’s rights under the agreement, not new conditions.

Mr. Aldrich moved and Ms. Greff seconded the following resolution:

Resolution Acknowledging Termination of the First and Washington Development Agreement
Whereas, On May 31, 2001 LibertyFirst was selected as the private sector partner with whom the DDA and City would redevelop the First and Washington site;

Whereas, A Development Agreement was negotiated over many months, and approved by the DDA on July 1, 2002 and City Council on August 5, 2002;

Whereas, The Agreement provided LibertyFirst with an Inspection Period of up to 60 days following Council approval of the Agreement, during which LibertyFirst was provided the right to inspect all elements and aspects of the property, including the impact of governmental requirements on the Developer’s proposed use of the Property;

Whereas, Upon request from LibertyFirst this Inspection Period was extended from October 4th to December 6th, and then again to December 31st;

Whereas, The Development Agreement states that if LibertyFirst determines that the condition of the Property is satisfactory for its proposed portion of the project, LibertyFirst “…shall provide written notification to the other two Parties of its intent to proceed with the Project on the terms provided herein, on or before 5:00 p.m., E.S.T., on the last business day of the Inspection Period (the “Notification Date”);

Whereas, LibertyFirst did not provide the DDA and City with proper written notification of its intent to proceed with the project on the terms provided in the Agreement by the Notification Date;

Whereas, LibertyFirst did deliver a letter dated December 30, 2002, which contained new conditions and demands that would result in a change to the Agreement, which the DDA is unwilling to accept;

Whereas, The Development Agreement states that if the “Developer fails to so notify both of the other two Parties of its intent to proceed, then this Agreement shall terminate, and the Developer shall be entitled to a return of the Deposit;”

Whereas, Pursuant to Section 5 of the Agreement, the DDA and LibertyFirst agreed to share equally the costs incurred after February 7, 2002 for site plan and PUD submission, provided that if the Agreement terminated, the DDA’s obligation would not exceed $20,000;

Resolved, The DDA resolves that the Agreement is terminated, and directs its Chair and Executive Director to a) work with the City to facilitate a return of the project deposit to LibertyFirst, and b) to pay LibertyFirst 50 percent of the site plan and PUD submission costs incurred after February 7, 2002, up to $20,000.00.

Mr. Beal asked what had changed since the agreement was signed this summer and what the next steps might be if the DDA couldn’t do this project. Ms. Greff said that one of the things that had changed was that the City Building Director will allow the First and Washington deck to remain open indefinitely if repairs and inspections continue. There is more time to engage in a dialogue with the community about this site now that there is no longer the need to rush forward before the deck closed. Mr. Solo said the “what next” dialogue should be the focus of its own special meeting, as there isn’t sufficient time at a typical committee meeting. Mr. Gillett said he agreed with Ms. Greff that it would be helpful to see if there is community support, for instance, to build a parking deck on the Kline Lot instead. Mr. Beal clarified that Mr. Pickel had not said that the First & Washington structure could remain open indefinitely, rather he hadn’t indicated any specific time after which we would need to be concerned.

Mr. Dankert said that he urged the rest of the DDA to stay in the deal, that things don’t seem to be going in the right direction, and the results so far have not been encouraging. He said that he was sorry that we can’t get past a certain point. Mr. Aldrich said that the DDA had learned a great deal about putting a project together.
One thing that he had realized was that this is a voluntary group with limited staff, and he wasn’t sure if the DDA is set up to do a complicated deal like this. He said he approached this vote with sadness, because a vote to terminate would indicate that we wouldn’t be able to do any future partnerships, saying “maybe we are too smart and our expectations are too high.” Ms. Sipes said that she felt we had erred in trying to solve everything with this project; we should aspire to mixed-use neighborhoods, rather than stacking everything into one building. Mr. Gillett said that he didn’t feel the deal was too complicated, rather that neither the DDA nor LibertyFirst realized at first about the high water table, and this took three floors from the project which limited its economics. Mr. Beal said that he wouldn’t support a vote to terminate. Ms. Gunn said that there wasn’t community support to add another floor. Mr. Gillett said that he wouldn’t support the DDA providing the $1 million necessary to make this deal work. Ms. Gunn said she supported the resolution before the board. Mr. Beal said he would support providing Freed with one more shot at providing an unconditional letter, and asked why this wasn’t possible. Mr. Gillett said that the agreement provided for clear termination procedures and costs at this point; if the DDA opted to go forward, termination would be much more expensive after this point. Mr. Fraerman urged the DDA not to vote to terminate; rather to schedule a time for each to bring along an attorney to consider new ways to make this deal work, and that it would be disappointing to see this agreement come to an end after all the effort that went into it. Mr. Gillett thanked LibertyFirst representatives for their efforts throughout the process. The question was called.

A VOTE ON THE MOTION SHOWED:
AYES: DeVarti, Gillett, Greff, Gunn, Sipes, Solo
NAYS: Aldrich, Beal, Dankert, Fritz
Absent: Hieftje
The motion carried.

Mr. Aldrich said that at its next meeting the Committee agenda will include a discussion of a future “parking permit policy”.

OPERATIONS COMMITTEE
Mr. Dankert reported that they are now meeting twice a month. The November financial statement reflect an increase in parking revenues, particularly Forest, which is experiencing usage double what was expected. Parking expenses were under budget for November. Comparing last year’s parking revenue for November, this November revenues were up about 3% although revenues from two of the decks and two of the lots are down. TIF revenues are up almost 8%, and the City finance department is still behind in interest postings. TIF expenses are about 3.5% under budget. Moved by Mr. Dankert to accept the financial report, Ms. Gunn seconded.

A VOTE ON THE MOTION SHOWED:
AYES: Aldrich, Beal, Dankert, DeVarti, Fritz, Gillett, Greff, Gunn, Sipes, Solo
NAYS: None
Absent: Hieftje
The motion carried.

Mr. Dankert reported that upon evaluation it was decided that Republic met the goals of its contract with the DDA but did not meet all the goals set forth by the Operations Committee for 2002. The Committee is therefore recommending that they receive the same bonus as was provided the previous year ($60,000). Mr. Dankert said that midyear Republic was asked to assume additional new responsibility for the street meters and meter bags, which they did very successfully. Therefore an additional $20,000 bonus has been recommended. Ms. Greff said she would like to see a goal of employee job satisfaction added to those set for Republic for CY 2003. Mr. Dankert moved and Ms. Gunn seconded the following resolution:

RESOLUTION TO AUTHORIZE A 2002 YEAR-END BONUS FOR REPUBLIC PARKING FOR MANAGEMENT OF THE DDA PARKING FACILITIES
Whereas, The DDA entered into a contract with Republic Parking Systems beginning February 1, 2001 for management of the DDA’s parking system;

Whereas, According to the contract, Republic is eligible for an annual incentive bonus which is to be calculated based on goals agreed to by Republic and the DDA Operations Committee, including the level of customer satisfaction as measured by a sampling of users on a quarterly basis;

Whereas, Calendar year 2002 customer surveys indicated that satisfaction is higher in 2002 than in the previous year, and the DDA Parking Facility Inspector rated maintenance efforts at 91% for the year out of a possible 100;

Whereas, Overall satisfaction with Republic’s management of the facilities has been very good, with very high marks given for communication and prompt resolution of all problems brought to their attention;

Whereas, In May Republic was asked to assume responsibility for an entirely new and complicated operation – the street meters and meter bags – and had to hire new staff and develop a new operational process;

Whereas, Now eight months later it appears Republic has succeeded in managing the system effectively, including reducing the number of jammed meters due to overflow, improving the appearance of the meters, and being responsive to both DDA and community members with reports and other materials;

Whereas, In 2001 the DDA voted to approve a $60,000 bonus to Republic Parking;

Whereas, The DDA’s Operations Committee has recommended an $80,000 bonus to Republic Parking for 2002 which includes $20,000 for their hard work and dedicated service initiating DDA operation of the street meter system;

RESOLVED, The DDA Board authorizes payment of $80,000 to Republic Parking Systems as a bonus to be payable with the December expense reimbursement paid in January 2003.

Mr. Beal pointed out that the customer service survey results called out in the Bonus Recommendation for Republic Parking did not add up to 100%. Mr. Morehouse said he would investigate this.

A VOTE ON THE MOTION SHOWED:
AYES: Aldrich, Beal, Dankert, DeVarti, Fritz, Gillett, Greff, Gunn, Sipes, Solo
NAYS: None
Absent: Hieftje
The motion carried.

Ms. Gunn reported that forty-four Investment Advisor RFP’s were sent out, thirteen proposals were received, and three firms selected by the Operations Committee to be interviewed by a group including Operations Committee members, DDA staff, the Washtenaw County Finance Director, and the Executive Director of the City’s Pension System. The Bank of Ann Arbor did an excellent job with their interview and the Committee recommends their selection because they have experience with municipal accounts, the DDA already has an account with them, and they are local. Ms. Sipes asked the names of the other firms that were interviewed, and Ms. Gunn said that they were Beacon Investments and Schwartz Investments. Ms. Gunn moved and Mr. Solo seconded the following resolution:

RESOLUTION TO APPROVE SELECTION OF BANK OF ANN ARBOR AS THE DDA’S INVESTMENT ADVISOR

Whereas, The DDA opened a bank account at TCF Bank for parking system deposits in February, 2001;
Whereas, The DDA opened a second bank account at Bank of Ann Arbor in May 2002 to deposit parking meter and meter bag funds;

Whereas, The DDA currently has accumulated approximately $5,200,000 in these two accounts;

Whereas, The DDA approved an investment policy on December 2, 2002 which is in compliance with Public Act 20 of the State of Michigan;

Whereas, The DDA Operations Committee recognized a need for a professional investment advisor and authorized DDA staff to issue a Request for Proposals for this purpose;

Whereas, The DDA distributed RFP’s to 44 investment advisors in November, 2002;

Whereas, The DDA received 13 proposals;

Whereas, The DDA Operations Committee selected three firms to be interviewed by a subcommittee of DDA Operations Committee members, DDA staff, the Washtenaw County Finance Director, and the Executive Director of the City’s Pension System;

Whereas, Following these interviews and reference check referrals, this subcommittee recommended selection of Bank of Ann Arbor as the DDA’s Investment Advisor;

RESOLVED, The DDA selects Bank of Ann Arbor as its Investment Advisor.

A VOTE ON THE MOTION SHOWED:
AYES: Aldrich, Beal, Dankert, DeVarti, Fritz, Gillett, Greff, Gunn, Sipes, Solo
NAYS: None
Absent: Hieftje
The motion carried.

Mr. Morehouse reported that two new dollar-entry machines have been purchased for operation at the First & Washington structure at a cost of $22,000. The existing equipment is malfunctioning, and when the deck is ultimately demolished these machines will be moved to Ann Ashley. Ms. Greff asked about the repairs at Fourth & Washington, and Mr. Morehouse explained that a patron had lost control of his/her vehicle and had driven into one of the cashier booths, which was now under repair.

CAPITAL IMPROVEMENTS COMMITTEE
Mr. Beal reports that the Committee has met with the architects who are working on plans for repairs for Liberty Plaza Park, E.U./Church/Forest, and the additional State Street Area. An contractor RFQ is already out the door, and it is hoped that bids will be distributed in time to allow work to begin this spring.

Forest. The bridge and column has been removed, and the replacement panel installed. The sketch showing how we will cut the new opening is almost complete.

Improving Access to Downtown. Mr. Beal reported that the Committee, in addition to Ms. Sipes, discussed downtown access issues, and a draft of their goal statement was included in the DDA packet. Mr. Beal asked for feedback on this. Mr. Gillett asked if the Committee will consider the needs of people outside downtown who need to use or cut through downtown on their way to someplace else. Mr. Beal said this would be included. Mr. Beal said the Committee will also consider ways to use wayfinding, including signage, beyond the boundaries of the DDA District.
PLANNING COMMITTEE
Ms. Greff reported that the Committee did not meet due to the holidays and thus there is no report. There will be a meeting tomorrow, Thursday, January 9 at 11:30 a.m. She said she would work with Mr. DeVarti to schedule a follow-up to the retreat to investigate ways the DDA might assist community efforts to replace artist studios lost at the Technology Center.

8.      OTHER BUSINESS
None.

9.      AUDIENCE PARTICIPATION
Jim Mogensen said he questioned the dynamic of public involvement in private developments, saying we can encourage them to build without being directly involved in their projects.

10.     ADJOURNMENT
As there was no further discussion, upon motion, upon a motion by Ms. Gunn and seconded by Mr. Solo, the meeting was adjourned at 1:16 p.m.

Respectfully submitted,
Susan Pollay, Executive Director