MINUTES
Downtown Development Authority Meeting
Wednesday, February 4, 2004

Place: Kerrytown Concert House, 415 N. Fourth Avenue, Ann Arbor, MI 48104
Time: DDA Chair Rene Greff called the meeting to order at 12:03 p.m.

1. Roll Call

<table>
<thead>
<tr>
<th>Present</th>
<th>Gary Boren, Ron Dankert, David Fritz, Bob Gillett, Rene Greff, Leah Gunn, John Hieftje, Dave Solo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absent</td>
<td>Rob Aldrich, Fred Beal, Dave DeVarti, Lorri Sipes</td>
</tr>
<tr>
<td>Staff</td>
<td>Susan Pollay, Executive Director</td>
</tr>
<tr>
<td>Present</td>
<td>Joe Morehouse, Deputy Director</td>
</tr>
<tr>
<td></td>
<td>Adrian Iraola, Project Manager</td>
</tr>
<tr>
<td></td>
<td>Georgia Richardson, Intern</td>
</tr>
<tr>
<td>Audience</td>
<td>Jim Corbett, Republic Parking</td>
</tr>
<tr>
<td></td>
<td>Ray Detter, Citizens Advisory Council</td>
</tr>
<tr>
<td></td>
<td>Julia Dickinson, Ann Arbor Book Festival</td>
</tr>
<tr>
<td></td>
<td>Elke Ferris, Ann Arbor Area Convention &amp; Visitors Bureau</td>
</tr>
<tr>
<td></td>
<td>Paula Gardener, Business Direct Weekly</td>
</tr>
<tr>
<td></td>
<td>Sally Gillo, Main Street Area Association</td>
</tr>
<tr>
<td></td>
<td>Bob Henderson, Citizens Advisory Council</td>
</tr>
<tr>
<td></td>
<td>Tom Heywood, State Street Area Association</td>
</tr>
<tr>
<td></td>
<td>Caroline Key, Conor O’Neill’s Pub</td>
</tr>
<tr>
<td></td>
<td>Margot K. Mehringer, Kerrytown District Association</td>
</tr>
<tr>
<td></td>
<td>Jim Mogensen</td>
</tr>
<tr>
<td></td>
<td>Mary Morgan, Ann Arbor News</td>
</tr>
<tr>
<td></td>
<td>Jennifer Steinberg, Main Street Area Association</td>
</tr>
<tr>
<td></td>
<td>Peter Pollack, Pollack Design Associates</td>
</tr>
<tr>
<td></td>
<td>Dennis Webster, The Earle Restaurant</td>
</tr>
</tbody>
</table>

2. APPROVAL OF MINUTES

A vote to approve the January 7, 2004 minutes was moved by Mr. Fritz and seconded by Mr. Solo.

A vote on the motion showed:
Ayes: Boren, Dankert, Fritz, Gillett, Greff, Gunn, Hieftje, Solo
Nays: None
Absent: Aldrich, Beal, DeVarti, Sipes
The motion carried.

3. AUDIENCE PARTICIPATION

Ms. Julia Dickinson presented information on the first annual Ann Arbor Book Festival, which will be held in the State Street area, April 22nd through the 25th. The event will involve a variety of programming, including high school writing contests, readings, book sales, poetry and comic book pavilions and several nationally and regionally known writers. All are invited, and the event is still looking for volunteers and help with publicity.

Mr. Beal enters

Margot Mehringer, Kerrytown District Association, reported that she was speaking on behalf of all four downtown area associations about a concept that they believe will strengthen business throughout the
downtown. They would like to use holiday lighting as an attraction from November through February, and request that the DDA provide the electrical equipment and lighting. In addition to making the downtown appear more festive, the lighting may also make it feel safer. The cost for these lights would be exchanged with the funds the DDA is losing from its free holiday parking program, which is estimated to be $77,000. Mr. Solo asked if all four Associations agreed that they would prefer lighting over free customer parking; Ms. Mehringher said yes.

Jim Mogenson said that in August the City Council signed a consent agreement with the Department of Environmental Quality regarding sewer capacity, and he was concerned about the City’s obligation under this agreement. For instance, the City is responsible for any development that the university does. He feared that the City’s responsibilities will be greater than its ability to provide.

Dennis Webster, owner, Earle Restaurant, said he wanted to express concern about the impending loss of parking that will be come from the loss of the 1st & Washington deck. The Earle has been at this location for 25 years and has helped encourage the revitalization of the area. The presence of this deck and the parking on the Brown Block are crucial. The loss of any parking would have terrible impact.

4. CITIZENS ADVISORY COUNCIL
The CAC asked me to once again express our support for the work that you are doing on the Huron/5th/Division Study as well as your planning for the First and William parking structure, housing at First and Washington, and possible mixed use development of the Kline’s Lot. We look forward to participating in the public meetings being organized to provide input on those issues.

Last night, much of the CAC’s discussion was devoted to housing issues. We talked about the work of the Downtown Residential Task Force, the unanimous passage on Monday night of the Kingsley Lane Townhouses, the future of the people who live in the old YMCA site, and the location of future social service agencies in the downtown area. We are in full support of the Residential Task Force’s emerging ten year goal of 1,000 new units in the downtown and surrounding areas. But we want to point out that, as we develop a vision for the future, we should continue to recognize the importance of the goals of the Downtown and Central area City Plans as well as our downtown and nearby neighborhood Historic District ordinances. While we are in support of encouraging all types of alternative transportation, we believe that everyone should recognize that it is probably true that the addition of 1,000 units of housing will require some kind of commitment to 1,000 additional parking places. The CAC believes that a major part of this parking should be provided as a part of individual developments on the sites. As much as possible, private developments should provide their own parking solutions.

For those of you who were at City Council Monday night, or watched it on television, the discussion of the issue of affordable housing subsidies that accompanied unanimous passage of the Kingsley Lane PUD was instructive. When the CAC discussed the issue of a probable need for public subsidies of permanently affordable housing, and the possible role of the DDA in providing support with a portion of its TIF funds, I was impressed with the variety of opinions on the question. We all agreed to devote more extensive discussion to the issue before attempting to take a firm position. Last night, there was one promising direction that seemed to be supported by most of our members. Future DDA TIF commitment to individual housing developments could and should be made to the development itself based upon the project’s contribution to the downtown, rather than according to any formula for providing a subsidy to the affordable housing portion of the project. There are lots of conflicting values, however, that need to be discussed. Isn't diversity of downtown housing a DDA goal? And what about support for rentals? The CAC's position will undoubtedly change with further discussion.

Regarding the YMCA, the CAC remains committed to making every effort to keeping the current SRO units somewhere on the existing site, in whatever Avalon form they may take. Both members of the CAC who attended the last subcommittee meeting on the issue were impressed with Avalon’s belief that they
could bring about major changes in behavior by providing private bathroom and kitchens for the transient people who live at the YMCA. And, finally, the CAC does not believe that any of the current YMCA occupants should be moved to the Washington and First site as a part of that future development. Once again, we wish to state that every effort should be made to avoid concentrating our social service, transient or transitional housing services or units to one single location in the downtown or any other part of the city. This includes detox centers, wet shelters, or any of the social programs that serve them.

5. NEW BUSINESS
None

6. OLD BUSINESS
None

7. SUBCOMMITTEE REPORTS

OPERATIONS COMMITTEE
Mr. Dankert reported the December statements looked good. The Committee was keeping an eye on the number of downtown visitors, as it was down in the fall, but was up again in December. Total parking revenues are still down because of the shift to charging in half hour increments. Mr. Dankert moved, and Ms. Gunn supported approval of the financial statements.

A vote on the motion showed:

Ayes: Beal, Boren, Dankert, Fritz, Gillett, Greff, Gunn, Hieftje, Solo
Nays: None
Absent: Aldrich, DeVarti, Sipes
The motion carried.

Mr. Dankert presented the proposed 2004/05 DDA budget, noting changes from the 2003/04 budget. The new budget includes design/engineering costs for First and William, funds for ash tree replacements, and other projects. Parking deck repair costs are considerably reduced over previous years, as are utility costs, due to the City moving to a new provider. In this budget the cost for the second of two years of funding for the Go!Pass is shown, and there is slightly more funding for advertising to support the free holiday parking program. Mr. Beal asked if the repair costs anticipated by the Carl Walker Inc. report were included; Mr. Morehouse said yes. Mr. Beal asked if the cost for the previously approved studies was shown; Mr. Morehouse said yes. Mr. Gillett asked if the budget reflected any assumptions about construction at 1st & Washington and 1st & William. Mr. Morehouse said that the budget showed only the costs for consulting services, but no assumptions about construction. Mr. Gillett said that the budget includes funding for land acquisition for the City Hall expansion, and asked about the status of this project. Ms. Pollay said that the anticipated cost for land purchase was included but no actions have been authorized by the Board. Mr. Hieftje said that DDA costs would be associated with a City Hall expansion parking deck, and that this deck would enable the City to construct new space for the 15th District Court and the Police Department. Mr. Solo said that he was impressed with Mr. Morehouse’s careful management of the budget, as year-end expenses ended as anticipated. Mr. Dankert made a motion and Ms. Gunn seconded the following resolution:

RESOLUTION TO APPROVE THE DDA BUDGET FOR THE FISCAL YEAR 2004/2005

Whereas, The DDA has developed a Ten-Year financial plan, including projected income and expenses for its TIF, Housing and Parking Funds, including calculations for debt service, capital improvements projects and parking operations;
Whereas, The DDA Operations Committee has developed a detailed FY 2004/2005 budget for the DDA based on this Ten-Year plan;

Whereas, The 10-Year plan is currently projecting a surplus fund balance, the proposed budget includes preliminary expenditures for the proposed 1st & William Structure, City Hall parking structure and the Huron Fifth & Division streets project:

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


Mr. Hieftje said that the City would be applying for FEMA funding for its ash tree replacements. Unfortunately this problem has spread throughout Michigan, Ohio, and N. Indiana. Mr. Solo asked if the Emerald Ash Tree Borer could be eliminated; Mr. Hieftje said that it would only be possible by cutting down a 10 mile swath of trees outside the border of the affected area and then instituting a quarantine.

A vote on the motion showed:
Ayes: Beal, Boren, Dankert, Fritz, Greff, Gillett, Gunn, Hieftje, Solo
Nays: None
Absent: Aldrich, DeVarti, Sipes
The motion carried.

Mr. Dankert said that in the DDA’s contract with Republic, there is a provision for a year-end bonus to the Operator based on certain criteria. With the approval of last year’s bonus the DDA set out some elements for Republic to work on. The Committee supported a bonus to Republic in the amount of $110,000, and said that attached to the resolution was a comprehensive memo listing the areas of improvement, including customer service and maintenance survey results. Mr. Dankert moved and Mr. Solo seconded the following resolution:

RESOLUTION TO AUTHORIZE A 2003 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 bi-monthly basis;

Whereas, Calendar year 2003 customer surveys indicated that satisfaction is higher in 2003 than in the previous year, and the DDA Parking Facility Inspector rated maintenance efforts at 92.76% 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 customer service to our customers;

Whereas, During the year Republic’s on and off street managers change roles. This switch gave the management team much better cross training in their job duties and ability to handle emergency situation when they arise;

Whereas, In 2002 the DDA voted to approve a $80,000 bonus to Republic Parking;
Whereas, The DDA’s Operations Committee has recommended a $110,000 bonus to Republic Parking for 2003 which is 2.2% of the total revenue collected by Republic on the DDA’s behalf;

RESOLVED, The DDA Board authorizes payment of $110,000 to Republic Parking Systems as a bonus to be payable with the January expense reimbursement paid in February 2004.

Mr. Dankert said that it was recommended that the bonus be increased over last year because service levels had improved in a number of areas. Ms. Gunn said that she had been on the DDA since the early days, and the difference between this parking operator and their predecessor are dramatic, as Republic’s attitude is always “we can do that”, and they do. Mr. Hieftje asked how the bonus amount would be distributed with Republic’s employees. Mr. Morehouse said that under our contract, the amount would go to management. Mr. Gillett said that customer satisfaction levels improving has a lot to do with the workforce, as they’re who our customers see and interact with. He said that he would hope that some of the bonus would be shared with Republic’s employees; Ms. Greff said that she would support that. Mr. Gillett asked if there was a distribution formula in the contract; Ms. Pollay said no, that this was not in the contract.

Mr. Gillett said that he would like to propose a friendly amendment that the DDA would encourage Republic to consider distributing a percentage of the bonus to the line workers performing a direct service to our customers. Mr. Hieftje said that he would second that amendment.

Mr. Solo asked Mr. Corbett if Republic has a merit bonus system in its contract with its employees; Mr. Corbett said that there is contract language regarding wage increases, but not bonuses. Mr. Morehouse said that this is a collective bargaining agreement, and wage increases may need to be negotiated. Mr. Beal said that he thought this was unlikely, as management can always pay more than is required under a contract. He suggested that since there isn’t a provision in the DDA/Republic Agreement at this time that the bonus be distributed as it has been done previously, and that before the discussion for next year’s bonus, Republic Parking should suggest how they could do this. But this would be slightly different than the amendment on the table. Mr. Gillett said that his was a friendly amendment as was Mr. Beal’s, and that the DDA could choose to go in either direction. He said that he understood that based on the DDA/Republic and Republic/employee contracts that the DDA couldn’t mandate anything; rather the DDA could make a statement and encourage. He suggested that this would be seen as a good gesture to employees and supported by this board if they had a policy that distributed a percentage of their performance bonus to staff.

Mr. Dankert said that he would accept Mr. Gillett’s friendly amendment, as it is a recommendation to the manager that they consider this and come back to us with some ideas. Ms. Pollay asked if the Board would support Republic coming back to the DDA with a response and recommendation which could be reviewed by the Operations Committee; Mr. Hieftje said no, that he would prefer to approve Mr. Gillett’s proposed amendment, and including Mr. Beal’s recommendation that Republic come back to the DDA with a recommendation for future years.

The amendment to the resolution reads as follows:

RESOLVED, The DDA Board encourages Republic to consider distributing a percentage of this bonus to its employees who provide service to the Ann Arbor community, and asks that Republic come back with a recommended policy for distributing a percentage of future bonuses to its employees.

A vote on the amended motion showed:
Ayes: Beal, Boren, Dankert, Fritz, Gillett, Greff, Gunn, Hieftje, Solo
Nays: None
Absent: Aldrich, DeVarti, Sipes
The motion carried.

Mr. Morehouse reported that last elements to transitioning the remaining elements of the DDA finances were underway. A Chart of Accounts has been developed and reviewed by the Operations Committee. The computer equipment and software has been purchased and delivered. It is anticipated that the system will be running in about a week. Staff will replicate the month of February in both the City system and our own; when that is done, we will be ready to run independently in March. Mr. Dankert said that Mr. Morehouse spent a week in Charleston for training and that Ms. Pollay will be trained by Mr. Morehouse in the coming weeks. Ms. Pollay extended an invitation to all DDA members, especially Operations Committee members, to learn about the new system so that they would feel comfortable asking questions and staying informed.

PARTNERSHIPS COMMITTEE
Mr. Solo reported that the committee continues to meet twice a month, and most of the time has been spent learning about the YMCA and discussing possible options to redevelop the site. Our self-imposed deadline to present a recommendation to City Council is April 5th. Mr. Solo said that Committee members met with Cathi Duchon/YMCA to learn about the building and the residents, reviewed a YMCA guest survey to learn about tenant needs, and took a tour of the residential building. The Committee also met with Michael Appel and Carole McCabe of Avalon Housing to learn about supportive housing programs and Amy Klinke of Washtenaw County. We still need to learn more about the opportunities to reconfigure the heating system in the building to keep it operational even as the recreational building is demolished.

Mr. Solo reported that the Committee has continued to discuss, but have not yet come to a decision regarding the Kingsley Lane funding request. Mr. Hieftje said that Council asked him to pass along comments, as there was support for the project site plan, yet there was also Council concern that the petitioner asked that the project be reviewed as a PUD which includes an affordable housing provision, and then asked that the City and DDA pay for this PUD benefit. He suggested that the Committee members make a point to discuss this with Council member Easthope if possible.

Mr. Beal said that the Residential Taskforce was coincidentally discussing the issue of how best to provide affordable housing, as current zoning and regulations sometimes work against encouraging downtown residential density. It was clear that City policies may need to be reviewed with the goal of increasing the number of downtown residents in mind. Mr. Gillett said that the Housing Policy Board will be reviewing the Kingsley Lane request, and will be considering the precedent that funding might create.

CAPITAL IMPROVEMENTS COMMITTEE
First & Washington. Mr. Beal reported that structural inspections and nuisance repairs continue. He reminded the DDA that sometime in the near future the Board will have to select a closure date, which may need to take place before the design for the new deck is complete.

Forest Structure. The contract is closed out and we are working on turning the deck over to the city. Work on the new pedestrian entrance and deck repairs will be done in the spring.

State Street. Phases I & II are closed, and Phase III will begin in the spring which includes work on William, Thayer, Thompson, and Washington.

Bike Lockers. They have been ordered and will be installed as soon as the snow clears.
Fifth/Division/Huron. A Professional Services Agreement between Pollack Design Associates and the DDA was signed, and work will begin this month.

RESEARCH AND OPPORTUNITY COMMITTEE

Mr. Aldrich reported that the Committee had framed the elements that would come to be included in a DDA “Vitality Index”, including statistics on downtown office vacancy, reported crimes, total value of building permits issued and AATA ridership. A scoring system has been suggested, which will enable Index users to monitor changes over time using these benchmarks.

All DDA members were welcomed to attend the next Committee meeting, as Smith Group/JJR Senior Planner Paul Fontaine had agreed to provide an overview of urban planning and urban design in a session referred to as “Planning 101.”

Mr. Aldrich said that the Committee resolved not to meet on a monthly basis, but rather would lean toward holding meetings every other month or perhaps on an ad hoc basis. Mr. Gillett said that one of the tasks the Committee assigned itself was to reach out to other agencies; Ms. Pollay said that this role was being taken on by other Committees. For instance, the Huron/Division/Fifth Study had brought the DDA in contact with the Library, the County, the Public Schools and the University; the YMCA had brought the DDA in contact with Avalon Housing, the Community Development Department, and others.

Mr. Solo said that the Committee had been maintained in large part in response to Mr. Detter’s request, but that earlier suggestions that its work plan be folded into other committee work plans should be revisited. Mr. Detter said that he would support the committee functioning in an ad hoc fashion but it should not be disbanded lest issues (e.g. the Allen Creek) wouldn’t have a place to be heard by the DDA. Ms. Gunn said that she would support the Committee operating on an ad hoc basis until needed.

9. OTHER BUSINESS

None.

10. AUDIENCE PARTICIPATION

None.

11. ADJOURNMENT

There being no further business, the meeting was adjourned at 1:20 p.m.

Respectfully submitted,
Susan Pollay, Executive Director