MINUTES
Downtown Development Authority Meeting
Wednesday, March 6, 2002

Place: Kerrytown Concert House, 415 N. Fourth Avenue, Ann Arbor, MI 48104
Time: Chairperson, Rob Aldrich, called the meeting to order at 12:08 p.m.

1. ROLL CALL

Present: Rob Aldrich, Fred Beal, David Fritz, Bob Gillett, Rene Greff, Leah Gunn, Lorri Sipes, Skip Ungrodt

Absent: Ron Dankert, Dave DeVarti, John Hieftje, Dave Solo

Staff Present: Susan Pollay, Executive Director
Joe Morehouse, Deputy DDA Director
Adrian Iraola, Project Manager
Sarah Armstrong

Audience: Ray Detter, Citizens Advisory Council
Christie Dunbar, Pollack Design
Mark Hodesh, Downtown Home and Garden
Donna Johnson, Ann Arbor City Planning Department
Carol Knauss, Ann Arbor Hands-On Museum
Brenda Macon, Ann Arbor Area Chamber of Commerce
Richard Mitchell, Mitchell & Mouat Architects
Cathy O'Donnell, Ann Arbor News
Lara Thomas, AA Chamber of Commerce, Get Downtown
Dennis Webster, The Earle Restaurant

2. APPROVAL OF MINUTES

Mr. Fritz moved and Ms. Gunn seconded a motion to approve the minutes of February 6, 2002:

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

The motion carried.

3. AUDIENCE PARTICIPATION

Richard Mitchell expressed concerns about the First/Washington project and the $7.5M that the DDA would contribute. He said he felt the amount seemed high and questioned whether or not there is a better way to define what the scope of the parking portion of the project is as opposed to the residential.

Mr. DeVarti enters.

Christie Dunbar, of Pollack Design, spoke about a request for physical improvements to Liberty Plaza Park that came from a newly formed “Friends of Liberty Plaza.” She brought two of six possible designs, with all options aimed at opening up secluded areas to help make the Park less inviting for unwanted activity. Community input will be sought and the Parks Department will be contacted to see if matching funds can be found.

4. CITIZENS ADVISORY COUNCIL

The Citizens Advisory Council has asked me to reaffirm three of our important goal commitments and to urge the DDA and the City of Ann Arbor to move forward as quickly as possible in implementing them.

- It is absolutely essential that the DDA Plan for a thirty-year renewal be approved this year. The Downtown Marketing Task Force has identified DDA renewal as the most important goal to achieve in order to assure the future vitality of the downtown. We agree, and we fully support the goals and objectives outlined in the
new Tax Increment Financing Plan that has emerged from countless Planning Committee, DDA Board and public meetings over the last two years. The Citizens Advisory Council intends to do whatever possible to assure prompt action by City Council in support of this renewal.

- The Citizens Advisory Council has long advocated the independent operation and management of the entire parking system under the leadership of the DDA. For the purposes of efficiency, economy and good management, integrated organization of all parking elements is essential—this includes on-street parking meters. We can all remember the disastrous conditions of our parking system when it was subject to the political expediency, lack of funding and inefficiency of general city government control. Frankly, we thought management of the on-street parking meters would have already been transferred to the DDA by now. We hope that City Council is not going to drag its feet on this issue and that approval will come quickly. Once again, we will do what we can to make it happen.

- Members of the Citizens Council have been long-time supporters of improvements to Liberty Plaza to encourage more general public use of that downtown park. Our members have attended all the meetings over the last several years that have sought to organize programs and changes that would improve the public perception and the real safety conditions of the park. We all know of the difficulties, political and financial, that kept real change from happening.

But now it is happening. The election of John Hieftje as Mayor, along with the selection of Dan Oates as our new Police Chief, has made a tremendous difference. Police officers are now being given the support they need to clear the park and surrounding sidewalks of aggressive panhandlers, drug peddlers and substance abusers who threaten the safety of pedestrians and general park users. The Mayor now has his Wednesday lunch on a park bench and invites everyone to join him. The Parks Dept. has trimmed and cleared trees and shrubbery to create greater visibility and a sense of openness. One of the frames in the Street Exhibit Program has been placed in the park as the first stop in the anticipated downtown historical walking tour. All these initiatives are designed to open up the park to more general use. A “Friends of the Park” group has been organized by architect Andy McGowan and is meeting every month. This group is discussing ways of changing the design and lighting in the park as well as encouraging new activities that will bring in even more users. Some of these necessary changes will require financing.

The Citizens Advisory Council strongly supports DDA involvement in making this happen—particularly in changing the decayed lighting in the park. We see this as a part of your commitment to improving the entire pedestrian corridor along Liberty from Fifth Avenue to State Street.

We have also long supported the possibility of redesigning Liberty Plaza to encourage more general use. At last night’s Citizens Council meeting I suggested that we support DDA financing of a portion of the cost of making necessary changes to the park. Everyone agreed that new lighting was essential. Some members, however, objected to approving design changes without further public input. They felt that choices among possible changes should be submitted to the Friends of the Park group and presented in a public workshop so that everyone could provide input. We think such a public presentation is essential before the DDA supports one plan over another. We should also take the time to evaluate the success of our other initiatives before undertaking any major changes in design.

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<td><strong>OPERATIONS COMMITTEE</strong></td>
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<td>In Mr. Dankert’s absence, Ms. Gunn presented the financial report.</td>
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Ms. Gunn moved and Mr. Gillett seconded the following resolution:

RESOLUTION OF THE ANN ARBOR DOWNTOWN DEVELOPMENT AUTHORITY DECLARING ITS INTENTION TO BE REIMBURSED OUT OF BOND PROCEEDS FOR THE STATE STREET PEDESTRIAN IMPROVEMENTS PROJECT

WHEREAS, The DDA is a body corporate established pursuant to Act 197, Public Acts of Michigan, 1975, as amended (the "Act"), having general supervision and control of the City of Ann Arbor Downtown Development Authority (the "Authority"); and

WHEREAS, The DDA has proposed to undertake renovation of the pedestrian improvements located in the State Street area of Ann Arbor; and

WHEREAS, The Act, authorizes the Board to issue bonds for the purpose of the Project, payable from the sources therein provided; and

WHEREAS, The Board, intends to request the City of Ann Arbor (the "City") to issue and sell one or more series of Downtown Development Bonds (the "Bonds"), pursuant to the constitutional and statutory authority for the purpose of paying all or part of the cost of the Project, paying capitalized interest, if any and the costs of issuance of the Bonds; and

WHEREAS, It is necessary to declare the Board's intention to be reimbursed from the proceeds of the Bonds for expenditures for the costs of the Project made prior to issuing the Bonds, in order to comply with the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board hereby makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. Section 1.150 promulgated pursuant to the Internal Revenue Code of 1986, as amended:

   A. The Board reasonably expects to be reimbursed for the expenditures described in (b) below with the proceeds of Bonds to be issued by the City.

   B. The expenditures described in this paragraph (b) are the costs of construction which were paid or will be paid subsequent to a date not more than sixty (60) days

   C. The maximum principal amount of the debt expected to be issued for the acquisition, construction, equipping and furnishing of the Project, including issuance costs, is $4,250,000.

   D. A reimbursement allocation of the expenditures described in (b) above with the proceeds of the Bonds described herein will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the Board's use of the proceeds of the debt to be issued for the Project to reimburse the Board for a capital expenditure made pursuant to this resolution.

   E. The expenditures described in (b) above are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).

   F. No proceeds of the borrowing paid to the Board in reimbursement pursuant to this resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of proceeds, including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within the meaning of Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in (d) above.
G. Expenditures for the Project to be reimbursed from the proceeds of the Bonds for purposes of this declaration do not include and are in addition to (i) costs for the issuance of the debt, (ii) an amount in excess of the lesser of $100,000 or five percent (5%) of the proceeds of the borrowing, and (iii) preliminary expenditures not exceeding twenty percent (20%) of the issue price of the borrowing, within the meaning of Treas. Reg. § 1.150-2(f) (such preliminary expenditures include architectural, engineering, surveying, soil testing and similar costs incurred prior to construction of the Project, but do not include land acquisition, site preparation, and similar costs incident to commencement of construction).

2. All resolutions and parts of resolutions, insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

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

Ms. Gunn moved and Ms. Greff seconded the following resolution:

RESOLUTION PROVIDING FUNDS TO ASSIST WITH THE RESTORATION OF THE ANN ARBOR HANDS-ON MUSEUM FIREHOUSE BUILDING

Whereas, The 1982 Ann Arbor Downtown Development Authority Plan highlights the Hands-On Museum as an important existing public land use in the DDA District;

Whereas, The DDA Plan also sets forward the objective that the DDA shall work with others to “retain historic and/or architecturally significant buildings having potential for activities consistent with development objectives;”

Whereas, The Ann Arbor Firehouse Building is owned by the City of Ann Arbor and leased to the Hands-On Museum with the understanding that the Museum will assume responsibility for the internal and external maintenance of the building;

Whereas, The Hands-On Museum has determined that the Firehouse, constructed in 1892, will require repairs primarily due to the age of the building, including a new roof, re-pointing all exterior brick, replacement of five internal and two external heating/cooling units, and window frame repairs;

Whereas, The Hands-On Museum has requested $150,000 from the DDA to help pay for some of these repairs, as well as leverage additional funds from other public and private agencies;

Whereas, The DDA Operations Committee met with Hands-On Museum President and CEO Jim Frenza to discuss this request, and subsequently unanimously voted to put forward a recommendation to the Board to approve this request;

Whereas, This project would meet the historic preservation objectives of the DDA;

Resolved, The DDA shall provide the Hands-On Museum with $150,000 from its TIF funds to assist with its repair efforts.

Mr. Beal proposed a friendly amendment to the Resolved clause to ensure that the majority of project funding be secured prior to the release of DDA funds:

“….when adequate assurances are provided to the DDA that funds are available to complete the project as budgeted.”
A VOTE ON THE MOTION AS AMENDED SHOWED:
AYES:   Aldrich, Beal, DeVarti, Fritz, Gillett, Greff, Gunn, Sipes, Ungrodt
NAYS:   None
Absent:  Dankert, Hieftje, Solo
The motion carried.

Parking Agreement Renewal-Status.  Ms. Gunn reported that Council tabled the resolution until April 15 so as to allow themselves time to review the proposed amendments to the parking agreement renewal. However in the meanwhile, the DDA is incurring costs based on the assumption that the meters will be transferred. For instance, Republic Parking has hired Wayne Mixdorf who moved to Ann Arbor to become manager of DDA meter operations. In this interim period, Wayne has inventoried meters and prepared a map showing the location of and time limits of all meters in Ann Arbor, as well as the location of the dynameters. This information will help the Committee once the DDA assumes responsibility for the meters.

PARTNERSHIP COMMITTEE
Status Request for AACT/Schwaben  Mr. Gillett reported that the Committee discussed a request from the Schwaben buildings owners, and in particular, considered the DDA’s policy role in historic preservation of privately-owned downtown buildings in collaboration with the Planning Committee. They will be bringing forward a resolution that will set guidelines for a low interest loan program to assist with historic preservations.

First/Washington Project Status  Mr. Gillett provided the background history of this project and then moved the following resolution and with a second from Ms. Gunn:

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT FOR THE FIRST & WASHINGTON SITE

Whereas, Following an RFQ selection process, on May 31, 2001 Libertyfirst (Joseph Freed & Associates, TBM, Allen & Kwan Commercial), was chosen by the DDA’s Partnership Committee as its project partner on the City-owned portion of the First & Washington site;

Whereas, Subsequent to that date a series of meetings have been held between representatives of Libertyfirst, DDA, and the City to negotiate the elements of a development agreement, and numerous preliminary drafts of a development agreement have been exchanged;

Whereas, The most recent meeting between Libertyfirst, DDA, and City representatives was held on February 7, 2002 and the larger framework of an agreement was established;

Whereas, On February 20 2002 an amended development agreement draft was provided to the DDA by Libertyfirst;

Whereas, On March 4, 2002 the DDA Partnerships Committee met and resolved to put forward to the DDA a recommendation on development agreement terms which it would find agreeable in hopes of moving this project forward without delay;

Whereas, The DDA attorney was directed to draft this development agreement, which include the following elements:

- The existing parking structure shall be demolished and a building containing public and private parking, residential and retail uses shall be built in its place.
- The replacement building shall be no more than six stories tall on the First Street side and contain a minimum of one story below ground at the First Street side.
- The building shall be designed to complement its setting, including attractive design elements and setbacks at the residential levels.
The DDA will pay Libertyfirst a total of $7.5 million to construct a fully-operational new public parking facility containing at least 200 above-ground parking spaces, including all costs for site plan development, construction, and equipment.

The City shall convey the air rights and development rights on this site to Libertyfirst for $600,000.

Libertyfirst shall construct no fewer than 50,000 square feet of residential on this site.

Libertyfirst shall convey to the City 8% of the gross sale price for each residential unit sold.

Libertyfirst shall make its best efforts to encourage pedestrian flow through the adjoining alley, including a pedestrian exit from the parking structure.

Whereas, The Committee recommends that these elements are to be considered and approved in their entirety;

Resolved, The DDA approves the development agreement as drafted by its DDA attorney and seeks to move forward without delay to solicit City Council approval;

Resolved, Libertyfirst shall be notified that the terms and conditions of a First & Washington site agreement are as tendered by the DDA in this agreement, and shall be given ten calendar days during which to respond;

Resolved, The DDA authorizes its Chair, its Partnerships Committee Chair, its attorney, and Executive Director to resolve any remaining details to enable this development agreement to be delivered to Libertyfirst and then subsequently to City Council for approval.

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

Mr. Aldrich said that the DDA’s funds would build 200 public spaces in a brand new parking structure, including supporting infrastructure, all soft costs, and all equipment. The DDA would also receive funds for the sale of air rights on this location. Ms. Gunn thanked Mr. Gillett for his hard work chairing this committee. All extended their thanks, as well.

CAPITAL IMPROVEMENTS COMMITTEE

State Street Area Project. Mr. Beal reported that the State Street Area Association provided input into the project schedule. Work will begin next week on Maynard, will span two construction seasons and should be completed by next summer. Adrian and team are getting bids for light fixtures. Mr. Beal said he would soon talk to the City about the mast arms and traffic signals being proposed.

Forest structure. Mr. Beal reported that the deck is not finished yet. A new sub-contractor is now working on stairway C and the Committee is still pursuing how to open the walkway to the Galleria.

Fourth Avenue Improvement Project. Mr. Beal reported that the project is scheduled to begin April 15.

Fourth/William Repairs. Mr. Beal reported they have begun working again after a winter break.

Sidewalk and Parking Repairs and Future Projects. CWI has been commissioned to produce an updated report on anticipated maintenance/repair needs for the parking decks. The Committee is also underway with an analysis of parking demand to help determine the next site where additional parking might be built. The Committee has created a matrix to analyze sidewalk conditions within the DDA district, and anticipates conducting a walking survey this spring. This matrix will enable the DDA to begin formulating a maintenance plan for previous sidewalk projects, as well as to develop a plan for future pedestrian improvement projects. Ms. Pollay announced that the annual spring maintenance walkthrough with City staff sponsored by the DDA is scheduled for April 11, and will likely run 9am-3pm. Everyone is welcome to participate.
Mr. Beal reported that the Committee will be looking in the Liberty Plaza Park project and may resolve to add it to the State Street project if there are sufficient contingency funds available.

**PLANNING COMMITTEE**
Ms. Sipes moved and Ms. Gunn seconded the following resolution:

**RESOLUTION TO APPROVE THE 2002-2032 DOWNTOWN DEVELOPMENT AUTHORITY PLAN**

WHEREAS, the DDA Planning Committee began discussions in September, 1999 regarding renewal of the Downtown Development Authority;

WHEREAS, In regular consultation with the full DDA board, DDA Planning Committee members, Citizen’s Advisory Council representatives, and City and DDA staff contributed hundreds of hours drafting a new DDA Plan with the goal of DDA renewal in 2002;

WHEREAS, In November 2001 the DDA approved a resolution to maintain the existing boundaries in the 2002-2032 Plan with the exception of the addition of several Willard Street parcels;

WHEREAS, In December 2001 the DDA authorized the Planning Committee to proceed with the public review process, to receive feedback, to revise the 2032; and, to present the Final Draft of the plan to the Board for review and approval;

WHEREAS, Over the past two and a half years many discussions have taken place with downtown and nearby residents, downtown business owners, and other community members, and these discussions have provided input into the current draft of the 2002-2032 Plan;

WHEREAS, There are three important benefits that will result from the renewal of the DDA:

1. **Continuity:** Important projects and programs are currently underway, and renewal of the DDA protects their ability to proceed.

2. **Long-Term Financing:** Many projects that have the greatest benefit to downtown involve significant financial investment and procurement of long-term debt financing. An extension of the DDA and TIF Plans will enable the repayment of this debt.

3. **Advocacy:** The DDA is the only agency whose sole 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, the Central Area Plan, and advocating for the resources and policies that enable these Plans to be realized.

WHEREAS, The DDA Planning Committee had set forward a draft schedule which anticipated the State proscribed process beginning March 18, 2002 with the City Council approval of a Resolution of Intent to set a public hearing date;

RESOLVED, The DDA approves the 2002-2032 Plan as presented by the DDA Planning Committee

RESOLVED, The DDA thanks its committee members for its hard work seeing this project through;

RESOLVED, The DDA authorizes its Executive Director to work with City staff to place a resolution of intent on City Council’s next meeting agenda.

Mr. DeVarti expressed concern that boundaries as proposed would preclude the DDA from undertaking future affordable housing projects; in particular on the City’s N. Main yard. He said he didn’t want to undermine the work of the Committee but that he felt that the concept of an “opportunity zone” outside the District boundaries, but within which the DDA could spend TIF on affordable housing, should be included in the new 2002/32 Plan. Ms. Sipes said that she felt comfortable that the DDA would continue to find affordable housing projects within its district and that an “opportunity zone” might dilute the DDA’s attention on downtown needs. She said that
the Committee had reviewed the question of expanded boundaries, both in Committee and at board retreats, and repeatedly came back to a view that the existing boundaries should be maintained. Mr. Beal suggested that the current City affordable housing policies seemed to leaning toward a “payment in lieu” concept, which would accomplish Mr. DeVarti’s goals even as the DDA boundaries remained intact. Mr. DeVarti asked for a friendly amendment allowing the “opportunity zone,” which was not accepted as friendly.

Mr. DeVarti moved and Mr. Gillett seconded an amendment that would allow the DDA to fund affordable housing projects that are located within a half mile of the DDA boundary.

A ROLL CALL VOTE ON THE AMENDMENT SHOWED:
AYES: DeVarti, Gillett
NAYS: Aldrich, Beal, Fritz, Greff, Gunn, Sipes, Ungrodt
Absent: Dankert, Hieftje, Solo
The amendment failed.

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

Ms. Sipes reported that the Planning Committee had met with the Partnerships Committee to discuss the process of evaluating grant requests made of the DDA. One of the outcomes of the Schwaben Hall issue was the proposed revolving fund to support private investment in historic preservation.

Ms. Sipes said that the committee continued their discussion of height restrictions with a presentation by Chandra Hurd from the City’s Planning Department.

Mr. Aldrich pointed out that in the Board’s packet was a schedule of meetings being held to renew the DDA and he urged members to attend to show their support.

8. OTHER BUSINESS
Lara Thomas announced that she is leaving the Chamber of Commerce to take another job, and thanked DDA for their support throughout her tenure as the Get!Downtown Transportation Coordinator. She said that the program continues to enjoy great success, and distributed an informational sheet on the Go!Pass program and highlighted some of the important findings.

9. ADJOURNMENT
As there was no further discussion, upon motion, the meeting was adjourned at 1:36 p.m.

Respectfully submitted,
Susan Pollay, Executive Director