DOWNTOWN DEVELOPMENT AUTHORITY RETREAT MINUTES
Monday, July 1, 2002

Place: Performance Network, 120 E. Huron, Ann Arbor, MI 48104
Time: Planning Committee Chair Lorri Sipes called the retreat to order at 12:30 p.m.
Present: Rob Aldrich, Fred Beal, Ron Dankert, Bob Gillett, Rene Greff, Leah Gunn, Lorri Sipes, Dave Solo
Absent: Dave DeVarti, David Fritz, John Hieftje, Skip Ungrodt
Staff Present: Adrian Iraola, Joe Morehouse, Susan Pollay
Audience: Ray Detter, Citizens Advisory Council

WELCOME AND RETREAT OVERVIEW
Ms. Sipes welcomed everyone and outlined the framework of the DDA’s summer retreat and Annual Meeting.

REVIEW OF THE TEN-YEAR FINANCIAL PLAN
Mr. Dankert provided a review of the DDA’s current 10-Year Plan. There were two significant changes since the last DDA retreat. The first was the integration of the parking meter system, which also includes transfers to the City Street Funds. Small annual parking rate increases are shown, but would be adjusted over time to actual amounts. Parking expenses are shown increasing 5% a year. With the parking meters it appears transfers from the DDA’s TIF fund will no longer be needed. The other major change was the integration of information outlined by a 2002 Carl Walker Inc. report on recommended parking structure repairs and maintenance. Mr. Beal said that it appears that the DDA’s commitment to preventative maintenance is working, as major repairs to Ann Ashley and Liberty Square may have been pushed back ten years. The deck coating applied in 1998 has succeeded in preventing further deterioration, and the repair delay has forestalled an estimated $10-$15 million.

There were several comments acknowledging the importance of this achievement, and a commitment to keep going with preventative maintenance programs. Ms. Gunn said that when the DDA renewal is up for discussion that its attention to preventative maintenance should be included as another reason for its renewal.

Mr. Gillett said that these two changes had moved the DDA to a new place from a planning perspective. The DDA now has discretion over its spending for the first time in nearly a decade. Mr. Aldrich agreed, but said that of course this may change, and TIF may be needed again at some point to support parking, for instance. Mr. Solo said that expenses hadn’t been eliminated, but rather preventative maintenance had shifted some repairs into the next decade. Ms. Gunn clarified that the 10-Year Plan does not indicate costs for any new parking structures, which was affirmed by Mr. Aldrich who said that costs are included to replace First & Washington but not build any new parking. Mr. Dankert asked that the DDA approve this edition of the 10-Year Plan, but suggested that they wait until the end of the meeting.

Mr. Gillett talked through the Partnerships Committee 2001/02 accomplishments, but said that the Committee had been frustrated that so much of their time this year was focused on First & Washington. In 2002/03 the Committee hopes to become even more proactively involved with developers, and will follow a policy track and a project track. It is possible that during the year the Committee will work to site a new parking structure.

Mr. Beal said that most Capital Improvements Committee goals were met in 2001/02. He had been concerned at the beginning of the year that we had sufficient staff oversight, but this had not proved to
be a problem. Much of Adrian’s time had been focused on the State Street project, but other projects proceeded well, too. Maintenance of DDA projects would continue to be a big focus for the Committee in the coming year. The Carl Walker Inc. report had been developed in part by bringing together Republic Parking staff with DDA and CWI to determine how routine maintenance and larger projects are planned for. An inventory of downtown sidewalks had been conducted, and a light inventory was underway. These will enable the Committee to recommend where the next pedestrian improvements projects should be implemented. This year the Committee will work with the Building Dept. to tighten City policies regarding sidewalk vaults. Mr. Aldrich asked if maintenance of existing infrastructure should be undertaken by the DDA or if our role is to communicate about problems to the City. Mr. Beal suggested that as projects arise that we outline responsibility in the authorizing resolution. Ms. Pollay said that the City will continue to focus on more cost and staff reductions, so it may be likely that the DDA may have to assume more responsibility for maintenance that it has had in the past.

Ms. Sipes said that the Planning Committee had made drafting the 2032 Plan its priority this year. Planning staff had participated in Committee meetings, which had been very helpful and made for better communication. In 2002/03 the Committee anticipated that advocacy for DDA renewal would be its primary task. Ms. Pollay was asked about the status of DDA renewal; she reported that the resolution of intent to establish the date of a public hearing, which would have formally begun the process, had been tabled by City Council in May as it came to them in the midst of the budget approval process. Six affirmative Council votes will be needed to restore it to the agenda for discussion.

Mr. Solo asked how to get the process moving. Ms. Greff said that the Downtown Marketing Taskforce has unanimously approved a resolution urging Council to set the date of the public hearing no later than the end of October, and that she and Ms. Pollay had met privately with the Mayor to inform him of this. Mr. Detter said that public relations will be very important as we move forward, and he’s not sure that people will take the time to read the Plan and the other materials prepared by the DDA.

Mr. Hieftje enters.

Ms. Gunn said that she didn’t think many people wouldn’t want to see the DDA renewed; Ms. Greff said that there may be some but that it’s certainly not a ground swell. Mr. Hieftje was asked what was said at the most recent caucus meeting, as this was to have been discussed. Mr. Hieftje said that caucus was poorly attended and only a casual conversation was held. He said the City Administrator will soon be announcing new changes that will occupy Council all through the autumn, and there are people who don’t know anything about the DDA, including some Council members; so more time should be spent educating people. Ms. Greff said that she is concerned that if the resolution of intent isn’t presented until January we’ll overlap with the budget as we did this year. Mr. Aldrich said that perhaps we’re making this out to be more than it actually is; making something that’s pretty easy into something difficult. Mr. Hieftje was asked if he would vote to support DDA renewal if it came before him, to which Mr. Hieftje said yes he would, but he didn’t know the feelings of his fellow Council members. He asked DDA members to ask themselves why there always seemed to be clashes with Council. Ms. Gunn said that the DDA had shown itself to be successful; to which Mr. Hieftje said that was undeniable.

It was suggested that the public hearing be held at the second Council meeting in November, after the elections. Following a schedule as required by the State, Council wouldn’t need to take any action until the first ordinance reading in early February, which is after this autumn’s discussions about City Hall changes and before the 2003/04 budget. The resolution of intent would be presented at the August 19th Council meeting. All thought this was a good plan. Ms. Greff said she would send an email to Council immediately following the meeting to ensure they all agreed with this schedule, as well.
Ms. Greff said that Jim Kosteva had made a good point recently, which was that this DDA is unique in that it collects taxes only from the initial assessed value; most DDA collect additional taxes as the building increases in value over time. She also felt that we need to strengthen our statement about DDA accomplishments, including our proven ability to stay on top of maintenance, the development of a menu of transportation options, a single-minded advocacy for downtown, etc. All agreed.

Mr. Dankert presented the Operations Committee work plan for 2002/03, saying that much time will be spent in the coming year evaluating parking meter operations. Mr. Beal complimented Republic Parking and DDA staff for their work upgrading the appearance of the parking lots this summer – such a big improvement. Mr. Dankert said he felt the same way. He said he thought that planning for sidewalk maintenance projects as outlined by Mr. Beal made sense and money should be reserved in the 10-year plan.

Mr. Gillett asked to change subjects, saying that First & Washington was supposed to have been on the Council agenda already, and that we had presented our last best offer to Freed, but a gap remained between where what we estimate the deck to cost and what they feel they need to move forward. He outlined remaining issues as follows:

- Freed has an interest in pushing as much cost onto the DDA as possible.
- After securing air rights, if the project doesn’t go forward the City wants the property to revert back to the City. We tried to draft language that met Freed’s concerns, but they disagree with the entire concept of a reverter.

Mr. Gillett reminded the DDA that this is just the first step in the process – after the agreement is approved, the design phase then begins. Ms. Gunn asked about the market value of the land, which Mr. Gillett said is figured into the arrangement. Mr. Aldrich said their air rights purchase amount includes their contribution for affordable housing; altogether approximately $1.6 million. Mr. Gillett said that discussions broke down months ago over finding a set amount for DDA to pay, so we’ve attempted to calculate construction cost percentages, and discussions have broken down again over the details.

Mr. Aldrich said that he wanted to acknowledge the vast amount of time Mr. Gillett has dedicated to this project – and his great appreciation for all Mr. Gillett has done and continues to do. All cheered Mr. Gillett. Mr. Aldrich said that he felt it was easy to get confused by the numbers. We began with a plan to rebuild parking spaces with $6 million, or $30,000/car space. We’re now looking to spend approximately $35,000/car space which includes costs to make this a mixed-use, public/private building which will generate taxes as well as create several dozen new downtown residences which will provide their own parking spaces. With $1 million of our costs to make this a mixed-use building, we are investing in our own future, as this building may generate $200,000/year in TIF, so our investment is paid off in five years. Also, he would argue that the alternative isn’t there – if we start over, we have no guarantee that we’ll be in a better place economically with a different developer. Also, if we can’t do this one public/private partnership – can we ever?

Mr. Solo asked if our current wrangling is an indication of disagreements to come. Mr. Aldrich said that “I know the beast, because I am one of them.” (all laughed.) He said that as a developer he didn’t think the negotiations were out of the ordinary, and that with sophisticated board members and staff that we’d do ok. Yes, they’re tough and use any opportunity they can, but we’ve drafted a tight agreement. Mr. Gillett said he agreed with Mr. Aldrich in that they will take every opportunity now and into the future, but that he disagreed whether we might do better with another partner. They have refused to share the basis for their $9 million request, while at the same time refuted the information provided by their own estimators Etkin Skanska. Ms. Greff said that she didn’t want to think that we’re in too far, and that we’ve gained valuable experience even to this point. Ms. Pollay was asked to comment, and she said that she was concerned that DDA members had volunteered countless
hundreds of hours for this project already, and she didn’t want to see the project fail, nor did she want
to see their time taken from other projects they wanted to see accomplished.

Mr. Beal said that if Mr. Gillett wanted to terminate discussions with Freed, he’d support that. He would
opt to pick a number and be done with it; he’s willing to risk not saving money versus being exposed
on the down side. Mr. Solo said he was willing to push for a $7 million “or else” position. Mr. Hieftje
agreed, and said that it doesn’t diminish the work that was done to get us to this point if the deal doesn’t
come together. These are public dollars so we must be very careful with them. Ms. Gunn said that
she would also support an “or else” position, and that she hoped it would work, as it’s been the DDA’s
goal to have more places for people to live downtown. Mr. Dettter said that its been the CAC’s position
that this must be a mixed-use building, and if Freed falls through that the project must be put out to
RFP again. Under no circumstances would they support a stand-alone parking structure. He said he
would support utilizing the DDA’s Partnerships Guidelines as they’re building additional parking, which
in this case might add up to $500,000. Bob asked for a roll call vote for the DDA’s last best offer.

Fred said he’d supported going with a $6.5 to $7.5 million spread rather than a set number, but that
strategy hadn’t worked. Allocations will get harder as we go. Ms. Sipes said she support a resolution
for the $7 million cap, but would allow it to be $6.8 million if that was Mr. Gillett’s preference. Mr.
Aldrich said that he has tried to look at this from their perspective – knowing what they have to pay for
the site, the costs of construction, and the confines we’ve given them. It is extraordinarily tight. No
windfall for anyone. In fact, he wasn’t sure how they were going to make it work. Convinced that there
isn’t a lot of wiggle room, and that the economics will not be significantly different with a different
developer. He would prefer that we keep this together, but that he would support building a parking
structure if this project doesn’t go forward. Mr. Dankert said that this is a risky project and we must be
conservative with the numbers if we don’t want it to become an $8 million project down the road. The
DDA has hired an estimator, but there’s still risk involved. Mr. Gillett said that he agreed there was
risk, but that he felt we had more information up front than we’ve had before because of Kirk’s and
Etkin/Skanska’s cost estimations. It reduces risks to have information in front of you. There are
contingency amounts in the estimates that also pad us against risk. Moved by Mr. Gillett:

Resolved, the DDA shall aim to have negotiations with Libertyfirst concluded by July 15th and
shall provide a final, last-best offer of $7 million ($6.8 million if caissons are not needed and
more standard foundations used) to Freed to build 200 replacement public parking spaces, with
$600,000 coming to the DDA for the purchase of air rights, and 8% gross residential sales
coming to the City for its Affordable Housing Trust Fund.

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

Mr. Fritz enters

3:00 p.m.  The DDA summer 2002 retreat discussions were temporarily tabled to make time for the
DDA Annual Meeting and July 2002 meeting.

3:50 p.m.  The retreat was reconvened following the Annual Meeting and July meeting.
**Where Are We Going? What's Next?**

Ms. Pollay said that for the first time since she had joined the DDA in 1996 it did not need to focus on solving a parking crisis. It had accomplished an enormous amount over the past six years, and now it had the chance to look to the future and consider what new directions it might take. For instance, how could we develop our alternative transportation programs to enable more people to come downtown for work or play? With the UM giving up its visitor parking on Central Campus, how could the DDA maximize this opportunity? What new economies will we see downtown as reduced disposable incomes affect the plethora of restaurants and banks continue to merge their way out of town?

Mr. Beal said that he felt that ongoing development would continue to push the need for more and better alternative transportations. His committee was underway with a parking utilization study to see if we actually need to build another deck. We also need information to know if the meters are being used as they should – is enforcement sufficient? Mr. Gillett said that the downtown and region will need to rely more on AATA and the new rail line, and the DDA should get more involved in longer-term transportation planning. Also, does the DDA have a role in issue of high downtown rents and non-local landlords? Perhaps this is a private market issue and perhaps we can do nothing. Mr. Hieftje agreed that this is an important area of concern and he wondered if perhaps subsidized rents downtown might be the answer as so many businesses are priced out of the area. He agreed also that traffic will continue to grow and should be addressed now. SEMCOG reports that traffic counts are up 75% in some intersections. We can’t expand these streets without buying property, so perhaps electric cars that are only ½ the size of a SUV are the answer. We must plan for a different future.

Mr. Beal said he doesn’t particularly feel bound by DDA boundary to meet parking needs at park and ride lots. The development community feels they can’t rent their commercial space for less because construction costs are so great, and chain stores are preferred by banks over local small business tenants. Mr. Solo said that he has no problem with property owners who invest in their property and then charge high rents; but rather the problem is landlords who raise rents because they can – even though they don’t make the necessary repairs, etc. He personally disagrees with rent control, however. Mr. Beal said he’d like DDA to remain involved in discussions over city regulations, e.g. Chapter 63 and building heights - every new regulation contributes to higher construction costs and thus higher rent.

Ms. Gunn said that small businesses with owners in the store provide a unique experience and great customer service. Perhaps the DDA may need to look at taking over maintenance of snow, sidewalks, and streets – take it over so it gets done. Ms. Sipes said that we should put maintenance and new sidewalks into the 10-year plan. Also, we should think about master planning within our sphere of influence, and then get projects into the budget.

Ms. Greff said that she’d be very interested in pursuing a wayfinding project for the entire DDA District. To do this we’d need a comprehensive look at the downtown so we could find a way to tie all four areas together. Signs could include information on public buildings, parking, historic districts, etc. Mr. Hieftje said that ERIM has sign technology that can communicate with cars to direct them to parking sites where available parking can be found.

Ms. Sipes said she’d like to debrief on the “do’s” and “don’ts” of First and Washington and institutionalize this information for future projects with future DDA’s.

Mr. Aldrich said that he’d like to leverage our resources (money & experience) to accomplish goals with the City and County so we can get new projects on the tax roles. E.g. a new police station. Mr. Beal agreed, saying that he’d like to encourage development and we should pick out sites (not necessarily
public sites) where we’d like to see development take place. People are moveable so parking doesn’t have to be located on prime locations.

Mr. Hieftje said that he is pushing for more regional planning initiatives that will have implications for the DDA – e.g., transportation first issue under discussion. Township residents are our customers, but it’s often hard for them to get here. We don’t have the road capacity even if they all wanted to get here.

Ms. Pollay asked how the DDA and City Council might work together to realize the dream of an improved and expanded City Hall. Mr. Hieftje said that the Council will work with the City Administrator to review all their options and will share information with the DDA once it has made its decision how it will address its space needs. Within the next two years it is likely that the City will have its new maintenance facility constructed, which will free up sites on N. Main Street and W. Washington.

Mr. Solo said that a lot of property is concentrated in the hands of a few families. We should start meeting with their kids to talk about the future.

Ms. Pollay asked what studies do you think you’ll need to enable you to set good policies? Mr. Beal said so often its piece meal, as things are fluid. Mr. Gillett said that he’d like the following information:

- land ownership in downtown
- library copy of all studies from last 15 years

Mr. Hieftje said that he wants to continue the image of the City as a place of innovation that is environmentally clean. He asked what the DDA thought about a two-story minimum downtown. Mr. Gillett said he thought the DDA was ok with this, and in fact we had approved a resolution that encouraged a 2-story minimum, but this element was contained within a resolution about maximum building heights. Mr. Detter said that the CAC felt that building heights must be in context with their surroundings. Mr. Gillett said that while height was not an issue to DDA, he wondered what folks thought of the new University buildings that covered an entire vast site, dwarfing everything around them. Mr. Beal asked had any opportunity to affect their design on UM property, particularly if UM designs violate City planning restrictions. Ms. Pollay said that the City had no ability to enforce its regulations on the UM, but that perhaps we should say something to the UM prior to future projects being built. Mr. Dankert said he’d like us to work on pedestrian improvements that connect the Life Sciences buildings to the S.U. district.

As there was no further discussion, upon motion, the meeting was adjourned at 5:00 p.m.
Respectfully submitted,
Susan Pollay, Executive Director