

Roger Hewitt (DDA board member): Okay, sure. Well I think when we last talked, city staff was going to come up with some ideas to clarify the ordinance, which I think is clearly one of the highest priorities, which is making sure that everything is understandable, and that we all agree on it. So have you come up with anything for us to look at? (This question was directed to city administrator Steve Powers.)

Steve Powers (city administrator): Uh, yes. In going back over the council resolution, and the process that is a part of that resolution, administrative staff - and I include Susan [Pollay, executive director of the DDA] in that definition - we were to "meet and review the city code, Chapter 7, as it's currently written with an evaluation of changes, if any, are needed to reflect current expectations and future needs." Susan and I have done that. One of the items certainly was some clarity on the language. I do have a draft but I did not make copies. As Susan and I reviewed the ordinance, though, it was clear that really for there to be specific language for this joint committee to look at, discussion was needed on what are the goals of this committee, specifically what are the goals for the DDA. We can certainly provide language that would provide clarity on how to determine a cap and how that would be calculated, but what is that cap?

Sandi Smith (DDA board chair): Well, Steve, I'd like to turn it around with you guys, because I think we are here at your request. And I think, and having chatted with members of our board, I think we need to know what are your goals? What is city council's goals. It's not so much what our goals are. But we are here because you have asked us to be. So I would turn that around, I believe, and ask what is it individually and collectively we're going to gain from this?

Hewitt: Just to expand on that, in all the time I've been on the DDA, I've spent a significant amount of time responding to requests from the city council - a whole broad range of requests. And I think we've tried to be responsive to those requests from past city councils. So I think it would help us to help our clarity, of what is the city council looking for? What would you like us to be doing, that we are not doing or stop doing what we are doing? Now we certainly view this as a partnership, and, but as politics change, views change, and for us it certainly would be a good place to start to understand what city council would like the DDA, you know, what you view our mission to be and what specifically we should be doing. So I think it is, you know, obviously we have a charter, and a voluminous plan, but with all

plans, this was written in 2003, so it was 10 years ago, which means that it is probably 10 years out of date, because things clearly change and things change very rapidly. So I think, you know, for us, understanding what city council views as, view our mission, and would like us to be doing would be a good place to start. We would like clarity, too.

Stephen Kunselman (Ward 3 city councilmember): Should I jump in first? Because I was the one who probably started the differences between the city council and the DDA, considering how long the DDA and the city council have been working under "previous assumptions," let me put it that way. I don't really know what those assumptions were, or what those coordinations were, because I wasn't really involved in them, I would say. There was a certain group of city councilmembers and DDA board members who were communicating, alright, and there may have been some committees to bring those things together. But there were a number of us councilmembers who were not involved, who were not given information, who were not provided with any opportunity ...

Hewitt: ... that's not our...

Kunselman: ... that may not be your feeling, but that's mine. And that's why we got a first reading passed, and I'm just pointing this out. We got a first reading passed, where we do have ordinance amendments on the table, alright? And the reason that we're stepping back from that is because once we got there, we heard the big fuss that started transpiring out of that effort - that it wasn't even clear then. The language of the first reading was provided by staff. So it's not something that I drafted, it wasn't something that anybody else drafted, it was provided by staff, who also agree that the language in the ordinance is not clear when we talk about the DDA capturing too much money and not giving it back. And I think what we've come to, all of us, seem to understand now is that that just doesn't work - the expectation that you collect TIF dollars in net has some formula in which you are supposed to return some. Because of that is where the problem lies. The cap came up in that discussion with a meeting prior to this one, the ad hoc committee group, which I've been trying to work with, so that we can make the language very clear - that you capture your TIF and you don't have to give anything back. And I asked you at that last meeting: How much TIF can you live with? At that first meeting we were at \$4.5 million or something like that. So that's what I left it at. And I just heard staff [Powers], what is the cap? So how much money are we going to turn over and let you guys

have your budget, and to approve it, and remember the council will always adopt your budget. So if we come to a TIF cap, whether it's \$4.5 million or \$5 million, that's fine - whatever number that comes out to be. But we're getting away from giving you money and expecting you to return it. And I think that's the number one issue that's on the table. There's a lot of other issues that are on the table, but that's the number one issue - because we have a lot of needs within the city outside the downtown. And that's what I've been arguing for a number of years now. Alright, so when you talk about subsidizing downtown parking for \$4.5 million dollars a year, tax dollars - that's what was done in 2012, when I've got parking out on Washtenaw service drive and Packard Road service drive, that haven't gotten a dime from the city, and those parking areas are public parking, serving businesses outside the DDA. They're not getting attention from the city. So there needs to be some parity, in my opinion.

Sally Petersen (Ward 2 city councilmember): My understanding is that the cap has always been there. In the original ordinance, if the DDA does 50% better than in the TIF plan, then that money is supposed to return to the taxing authorities. Does not that language already exist? So in my mind, that is a cap. The question is how do we calculate that and which components from the DDA performance do we include, when we compare DDA performance to the DDA plan.

Kunselman: They have said all of that is irrelevant because they have debt.

Petersen: Right. So that's why it's unclear how we calculate it ...

Kunselman: ... the first reading then addresses all that ...

Petersen: ... but the concept of there being some kind of limit above which the DDA would share the wealth - that concept there has always been baked into the DDA ordinance. The question is how we calculate that. And if we talk about goals, my goal - and I think it's incumbent upon the city council, I don't think that the DDA has done anything wrong per se, it's just that the city council historically has not held the DDA accountable in terms of understanding what that is. I think it's the city's responsibility to determine - or at least be put forth how that may be calculated. Now that we are here around the table I think we need to agree on what that calculation is. So that would be one of my goals. When you said, Steve [Kunselman], and I remember at the lunch meeting that we had a couple months ago, you

asked, How much money do you need? I don't think - and I said this then - I don't think that's an appropriate question, because it kind of assumes that we hold the purse strings and we're saying here, we'll give you what you need. I don't think that's it. We don't hold the purse strings. It is what it is. When you have an agreement on what that calculation is, it's not how much do you need. And they should be asking: How much do we think that we'll have, from a budgeting perspective?

It is a collaboration, but I think because the ordinance falls under the city, it's the city that needs to be held accountable in making sure the intention of the ordinance is being followed. And it hasn't been, because that sharing of the wealth hasn't been happening. And so I put that on the city council as much as the DDA.

Smith: So have you seen like in the back of the renewal plan at all, the graphs that show how the wealth gets shared by the increased wealth generated by the increased revenue generated by the downtown? So the DDA TIF is capped, and there is a continued increase in tax dollars to all taxing authorities, based on, say, the rising tide raising all boats. So there's a pretty distinct graph that shows how the different taxing authorities gain more money by having the strength of the downtown. So by sharing the wealth and looking at it in a different way, I think, you perhaps are both saying the same thing, but not looking at the perspective of the strength of a good core that can provide more dollars to all entities based on what it is we are doing. Can I hear what you guys's goals are?

Jane Lumm (Ward 2 city councilmember): Goals for me, in answer to your question Roger and yours Steve, I was added late, and I appreciate the opportunity to participate. But my goal is to work out this understanding of what this calculation is, and you know whether it's going to be year-to-year or cumulative method approach that we take. Because there's the current DDA methodology, and then there's the proposed ordinance. So we need to just put our heads together and work this out together and - and I think why we're doing it in this committee and not at the council table, if you will. And think we both have a lot to understand. Your question, Roger, is on a much higher level - about the DDA mission. For me, it's not about flyspecking the mission, and I know you do a lot of good and when everybody does better, then everybody does better. But at the same time, based on the calculation of the refund that will go back to the city and the other taxing jurisdictions, the better you [DDA] do, and based on how this

calculation is determined, more money will go to the Ann Arbor District Library or to the Ann Arbor Area Transportation Authority, or Washtenaw Community College and of course the city. So there's that component too, that I think we are all grappling with, or at least I am. So I hope we can just figure out how these calculations will be arrived at. It's a matter of questioning your mission, you know - you have an important mission. And downtown is doing very well, and this is not about nicking you in any way so that you can't fulfill your mission. And I just looked back over some of the question and answers leading up to [the council's initial vote] and we got answers back. I noticed, and I understand this, you couldn't really calculate out the projects. More than anything, it was just TBD (to be determined) on the projects that you would fund it with the TIF revenue. You had some estimates, yeah, but most of it is to be determined. So it is difficult to ask what you need, when these projects are to be determined. You could project your budget through 2014 and 2015 basically. So some of that is hard to, you know, resolve really long-term, but if we can look at the near-term and how this calculation is done. One of the questions, the methodology, the response we got on the way this is done: This is unique to Ann Arbor. And I think it would be helpful for this committee to get some benchmark information from other communities. That would be one piece of information that I would find helpful. I am sure that every situation is unique but I always think that benchmark information is helpful.

Smith: You should look at what Grand Rapids is doing as far as what the DDA is doing - it is really aggressive in their scope. They've got a different situation in the downtown, a bigger downtown, more vacant buildings. But they have just hired ambassadors for an ambassador program. They have secured a building and helped with public and private financing for affordable housing units, and their press releases are coming out oodles at a time. So if for benchmarking we're talking about going to Grand Rapids ...

Lumm: ... I'm talking about how they calculate what they capture and that kind of benchmark information.

Smith: They must capture a lot more because the dollar amounts for these projects was enormous. But I think it's useful to say what other best practices are happening, and what do we want to follow?

Lumm: Yeah, Grand Rapids and other communities.

Smith: Chris [Taylor] can I get your...

Petersen: ... can I just say, I was going to say, I think there's a lot of private wealth there. I know there are programs there and I know a lot of that is privately funded. ... I'm just wondering if the DDA there has private contributions as well.

Susan Pollay (DDA executive director): They have recently undergone a merger of sorts, although they are not calling it a merger, where there is an umbrella downtown organization, under which the DDA rests and under which the BID - business improvement district - rests, and I think there are private investment dollars. So the larger downtown organization will now use the tools of each. I think it has three different boards. It's similar to what they do in Detroit and Kalamazoo, where there is an umbrella organization. They are using private dollars and merging it with public dollars to accomplish downtown purposes. It's one of the things we want to learn more about, and not just resting everything on the DDA: Are there other tools in the toolbox we should be thinking about as a way to move ourselves forward? You have opportunities using public dollars but then there are hindrances that private dollars don't give you. Merging it with the business improvement district means there's greater coordination in terms of services and infrastructure in the downtown, which we currently don't have. So I mean I think there are pieces in the puzzle that we can learn a lot from, I think, for our own downtown. So a trip to Grand Rapids is on our calendar ...

Kunselman: ... I'll be quite honest, I'm not here to restructure the DDA We are here to address the ordinance. That was what was on the table as a result of passing that first reading. I've heard a lot of complaints about what was passed at the first reading. I'm open to going back to another first reading to clarify the language on the calculation. That's what we were intending to do. The cap is an assessment cap - it doesn't cap their budget. If you understand assessments, if the downtown equalized value - what is the downtown equalized value right now? 300 million or something like that? Some large number, it is based on the SEV. That's the language that we're trying to look for. If we cap the assessed value of the downtown DDA district to \$300 million and it only therefore grows only after that initial cap by 2% or 3% a year, or whatever we put in the ordinance, if they collect \$4.5 million in 2014, though collect \$4.75 million in 2015 or something like that - that they can then know what will be in

their future budgets. So when I said, "How much do you need?" I'm basically saying, "Well you got \$3.9 million last year that basically satisfied all of your programs and your debts. You're going up to almost \$4.8 in 2014. That's a one million dollar jump." "Oh we need that money, we need that money, but we don't know how to spend it, because we don't have a capital improvement plan identified." That's another issue, as Sabra [Briere, Ward 1 councilmember] had brought up. We want to see your plans in the city's capital improvement plan (CIP). So that we can all be planning, so that's another issue, okay, but that's ...

Smith: ... Steve, can I hear from Chris [Taylor] and what his goals are ... before we?

Kunselman: ... well, can I finish, before I get interrupted?

Smith: Well, we heard what yours was.

Kunselman: Oh, really? [laugh]

Smith: I think you already did. So if possible, Chris, could you weigh in on, you know, what you see in this?

Christopher Taylor (Ward 3 councilmember): I don't want to get in the middle of that!

Kunselman: [to Smith] So are you chairing this? Are you just calling on us? C'mon.

Taylor: She did ask the question.

Smith: I asked for goals. You're kind of going into the second level of it and I want to go all the way around before, okay, Steve?

Petersen: [to Kunselman] Did you finish your goals?

Steve: I got interrupted.

Lumm: We should have an independent facilitator! [laugh]

Taylor: I'll step in after Steve - so Steve, finish up? ...

Kunselman: So that's the gist of it. I appreciate going to see what

other DDAs are doing, and stuff like that if we really want to open that up. The Calumet city DDA doesn't include any other monies in their TIF annual report, yet we include parking revenues and expenditures in the TIF annual report. Why is that? Is that what other DDAs do? No, the TIF annual report should just be TIF dollars. Why are we including parking revenues? It's just something that the DDA does. It's something they do, because they never provided a TIF annual report as required by law, for how many years, Sandi? So yes, I'm done.

Smith: Thank you!

Petersen: [to Kunselman] Not to be a bugaboo, but I'm still not clear. What is your one goal?

Kunselman: Clarifying the language on the ordinance that provides the DDA budget to be reasonably determined on a yearly basis, which is not able to be done now. Because they budget low, because the assessor comes out with a report on January 1 for assessed values. But if we go to an ordinance amendment that does it through an assessed cap - which is what I'd been hearing prior to this meeting from a variety of community members - that this is the direction that we should go. The idea of giving them money and then having a formula where they have to give it back: Who calculates that? They obviously haven't been calculating it, because it's never been done. The only reason it came up the last time is because the city treasurer pointed it out to [city chief financial officer] Tom Crawford the day that he became the interim city administrator after Roger Fraser. So there are some issues behind all this that we don't want to get into. But that's what I want to see done - that we make it so that we can know what the DDA budget is going to be. That's the number one goal in clarifying this.

Hewitt: Can I just ask a question? I understand what your goal is there. There is the language in there that our attorney has advised us on, that it would be calculated only after all the debt service.

Kunselman: Right! That's the problem. If we disagree with your attorney, we should be suing you. But we don't need to sue you because we control you and we control your budget, so ...

Hewitt: So I just want to be clear that you want to remove that clause completely?

Kunselman: Yes, which has already been done in the first reading.

Hewitt: But understanding that we have engaged in a huge amount of indebtedness based on that.

Kunselman: Right, hence my question: How much do you need? Because really, the idea that you're using all these millions of dollars, public tax dollars, to pay for the bonds for the parking structure, which was not the intent given to the public. If that's the way you go, that's fine. But imagine if you wean yourself off of that. You'll have millions of dollars in your TIF fund that you can spend on projects that you want to do as the DDA. Right now you can't. Because all of that TIF is going towards parking debt.

Hewitt: We have traditionally done that, long before any of us. ..

Kunselman: ... not to the amount to what you're putting in now.

Joan Lowenstein (DDA board member): ... and it's permitted by the statute ...

Kunselman: ... I'm not saying it's not permitted. That's not what was intended. That's a far cry from ...

Lowenstein: ... I'm not sure that we all know that.

Kunselman: We can ask The Chronicle. There's a lot of historical comments made by politicians at the time saying - in fact, a letter from Susan [Pollay] saying that we're not using public tax dollars.

Smith: That was previous to the new parking agreement when we changed the formula.

Kunselman: Apparently - though I was not involved in any of those discussions. Those were all discussions within "the team."

Lowenstein: Well, Christopher was involved in those discussions and ...

Taylor: Yes, I would note that the parking agreement was discussed in open conversations ...

Kunselman: ... after decisions were made. C'mon.

Taylor: That's not true at all. It was voted on ...

Kunselman: ... the only reason we are here today is because of the change in December 2012. It's the only reason. Sally's here. Alright, we have new members on council, a change in the political ...

Taylor: ... so the question is: Was the parking agreement passed in the dark of the night?

Kunselman: No, it was passed in public but that doesn't mean the discussions were taking place in public. It doesn't mean that at all.

Taylor: Again, that's not true. I think that's not...

Kunselman: ... we can get rid of the parking agreement and take it back.

Taylor: Yes, it's an agreement but...

Kunselman: ... yet we can take it back. [laugh]

Taylor: It's an agreement between two entities ...

Lowenstein:... it's a contract. Anyway, we won't educate you about contract law, but go ahead.

Taylor: In my, ah, here's, you know, this is my first participation in this conversation, and I'm not suggesting that convers... ah ... this is not my first participation in the conversation. For my part, I view the downtown as deeply critical to the health of Ann Arbor as a whole. I view it as central to Ann Arbor's competitive advantage. The university leads, you know, in giving us national primacy. What we have as a community to offer is I think the vibrancy of residents and the beauty of our neighborhoods and a thriving downtown. And I think that the downtown is central to that. I think the current success of the downtown was not always as sure as it is. I think that it was in peril. And I think that over time any rational assessment of it would lay the current success of the downtown at the feet of our predecessors on the city council and the DDA. And so I view the DDA as having done a tremendous amount for the success of the city up to this point and laying the groundwork for that success going forward. So, that is a frame for which I have goals for this conversation. I think

the ordinance as currently constituted is not clear to the novice looking at it, and [I] wouldn't mind an ordinance that was. So I'd like it to be clear. That said, clarity is very easy - delete everything with respect to refunds. You know, that's one option. Put a hard cap at \$1 million and an obligatory refund for everything that is captured above that. Those are all clarity options. So clarity, as a goal, is useful as a frame, something to work towards. But it's not the end of the conversation, it's just the beginning. So I wanted to be clear, but I want it to have a substance to it that enables it, ensures that we today don't hinder the DDA tomorrow. That we continue to honor the importance of the DDA's mission and respect the success of the DDA in achieving that mission.

Kunselman: I think we all do.

Lumm: Mmm Hmm.

Kunselman: No one is talking about dissolving the DDA.

Taylor: Dissolving the DDA is... no one is suggesting otherwise. So that's a strawman. The ordinance as currently constituted has within it, for example, the debt provision. There's a reasonable argument that the debt provision removes from the DDA an obligation to refund funds while there is debt service running to it. Is that good or bad is a question for the council and this committee. For my part, I think that if the DDA takes on debt obligations for the city, then tax dollars should run to that. I don't see why we would want to send tax dollars from the downtown elsewhere while there is downtown-related city-benefiting debt.

Kunselman: We're always going to have debt. We're not talking about that.

Taylor: If we're always going to have debt, then ...

Kunselman: ... again I come at it from a position that fought to get to this point quite a bit. I agree with everything that you said, a lot of the positions. It is legal to use public tax dollars to pay for the bond debt for the parking structure. I have no problem with that. That's not the question. But we have some interpretations of the ordinance. As a councilmember and as an elected official, I have a responsibility to make sure that the ordinance is enforced. That's one of the issues we had on the audit committee: Who enforces the

ordinance? We have an attorney who represents the DDA, who says, "Oh, don't have to give money back because we have debt." Well, I disagree with that. Just because you have debt doesn't mean that you don't get your refund back, at the same time that you pay your debt. Hence my comment to you: How much do you need to pay your debt and to service your programs? If you need \$5.5 million dollars and just keep growing and growing because the DDA does such wonderful things, then I think that's irresponsible. Because there are a lot of things that need to be done with that money. I don't think that they need that much money - there's diminishing returns of goodness about how much money the DDA gets. I think they've been irresponsible with some of the projects that they've spent money on.

Hewitt: Could you be specific about that please?

Kunselman: The irresponsibility?

Hewitt: Yes.

Kunselman: Your wayfinding signs. Talk about irresponsibility. In a time of technological change, I can find anywhere I want to go with an iPhone. And there's a sign out on Washtenaw saying, "Downtown Ann Arbor." That's irresponsibility. Because that was, what - \$1 million or \$1.2 million. That's just an example. You know the idea that the city should be using general funds to help pay for the pedestrian lights - when you've got millions. Oh, but you are using some of that to pay for parking debt! Well, wait a minute, maybe you should be weaning yourself off of that parking debt to pay for the pedestrian street lights. We have lots of infrastructure needs in the city, and I can give you examples of where we are not getting that infrastructure. I appreciate that, yes, the downtown does great, but from my living in Ann Arbor, I have not seen such a disparity between the wealth of downtown and the outside neighborhoods than I have seen in this era now. And that's a problem.

Lowenstein: Well, you're in charge of the budget.

Kunselman: That's right. And I'm also working with councilmembers to get the ordinance revisions necessary so that you guys can do the things you want to do with little interference from council. So that there isn't these tensions between the council, that you should have your budget set and you should be able to do the things you want to do with as little oversight from council as possible, alright? And that's

where I disagree where we've been in this last decade. There's been too much coziness and tightness between councilmembers and DDA board members. And that incestuousness brings about bad policy. This is about trying to get good public policy so that the entities and institutions can work back to have greater trust in our community. Because right now, I don't really have a lot of trust out in my neighborhoods about what the DDA does downtown, ok? And that's how I have been able to galvanize my base, so to speak, to stay here and to keep this effort alive, so that we can get this ordinance changed, so that everybody can go out and do their business. Some of that money, yes, should be returned to the taxing authorities. I don't think it's a big thing. We're not talking about all of the DDA's money. We're talking about future tax dollars - tax dollars that they have not even used yet. About having some of that returned to us so that we can fund police, so that we can find other things outside the downtown, you know - bring back the beat cops downtown, which we don't have right now. There's a lot of things that we could be doing with these new dollars that council should be controlling, not DDA board members.

Smith: So how do you reconcile the lot of people who own property or are paying taxes in the downtown, and are also paying taxes in the neighborhoods. So for instance, I own a house in a neighborhood. I own a building downtown. I pay taxes in both places. What you're suggesting is perhaps that the money that I'm paying into the city ought to be diverted, because it's just not enough, it should be diverted from the downtown to the neighborhoods.

Kunselman: I'm not saying that at all, Sandi, so I'm not sure where you're trying to drive that.

Smith: I'm just trying to get clarification.

Lowenstein: I think that's what you're saying, you're talking about diverting...

Kunselman: ... your situation is atypical. Not everyone in the neighborhoods owns property downtown. Not every downtown property owner lives in the city.

Smith: So what representation does a person, who owns a building downtown, what kind of representation on council or within the city do they have, that talks about what services or infrastructure improvements ...

Kunselman: ... there are councilmembers from every ward who represent downtown.

Smith: In total, there's how many residents downtown?... So it's a fraction of - so for instance, in the First Ward there's about 25,000 altogether. And there's probably now 2,500 or 3,000 people who live downtown. With the lion's share of the DDA being in the First Ward has a lot of it, more than any other ward, those people have a very, very slim voice, because there's just not that representation happening downtown. Nobody is there to speak for them.

Kunselman: I think you're totally wrong. I think every councilmember is speaking for downtown - we all love downtown. We all are doing everything we can. We all agree that downtown is vibrant. It's not that we are against downtown by any means. Your argument, I think, is just to throw flames or, or gas on the fire to make this a difficult task, when it shouldn't be so difficult. All we're trying to do is try to amend the ordinance to give clarity to the funding methodology. That's all we're trying to do. We can throw in a bunch of other peripherals - of term limits, TIF dates, all kinds of things. But the number one issue is the budget. Your budget is increasing by nearly \$1 million due to student high-rises. Foreclosures have been the norm out my neighborhood. You can buy a house for \$50,000 but yet you can go downtown and rent a room for \$1,300, and the DDA was responsible for luxury student high-rises? I don't think so. If we want to talk about ...

Taylor: ... the DDA is responsible for luxury student high-rises?

Kunselman: No, but that's the argument I hear, and that's the argument you just made.

Lowenstein: If he were making that argument and it's ignorant, why is it right?

Kunselman: I'm not saying it's - wait, what's right?

Petersen: I think we're getting off track here, because what I think I've heard around the table... we haven't heard from the DDA representatives in terms of what your goals are. One thing I've heard consistently here is the need for clarity. And I think it comes down to that actual calculation. The part that is in play on that

calculation is whether or not debt is included in the calculation. I heard, Christopher, I think you said, there's a debt provision that removes the obligation of the DDA to refund money to the city. But my understanding is that the debt, or at least the parking garage debt - correct me if I'm wrong - that is actually not DDA debt. So what happens when it's city debt? So what happens if it's actually city debt - is that the same thing? If we are going to cut to the chase here, I think we need to focus. Again, I want to hear what the DDA's goals are. I agree with Jane [Lumm], we are not here to monkey with the DDA's mission at all and that is pretty clear. I think we need to get down to the nuts and bolts and really not be political about it...

Lumm: ... right, thank you ...

Petersen: ... and forget about all the political relationships that led us here. That's not the future. Let's just get to the nuts and bolts ...

Lumm: ... exactly ...

Petersen: ... and get to some agreement without being political about neighborhoods versus downtown, or about houses here or houses there. It is all the city ...

Lumm: ... right, thanks, Sally ...

Petersen: ... I do think that downtown, I mean there are parallels between, you know, the University of Michigan - where would Ann Arbor be without UM? Well, they buffer us. And having a strong downtown does also buffer us. And I agree with that. But that doesn't mean just because the University of Michigan protects us, they also use our resources, and we need - in cash-strapped times we need to be able to protect that as much as possible. So I see really just getting to the clarity, understanding what we mean by debt - city debt versus DDA debt - and what do we mean by debt and how that factors in the calculation. And can we agree around this table about what that calculation is going to be.

Lowenstein: Well, it's ultimately city debt. The city ultimately owns all the parking garages, too. But the DDA took on the debt and the bonds were sold with a commitment that the DDA would pay that debt service. So those bonds were sold to people with the understanding that it would be the DDA that would pay the debt ...

Lumm: ... it's the whole faith and credit of the city of Ann Arbor...

Lowenstein: ... right, but it is an obligation of the DDA, so that would be if the DDA "went under," the city would have to pay that.

Kunselman: When did the DDA make that commitment to take on the debt?

Pollay: It's in the parking agreement that 100% of the debt service ... going back to 1992 ...

Kunselman: ... so it's a contract ...

Lowenstein: ... and so that debt that the DDA has taken on, and the DDA took on the debt, and the DDA made its budgets based on projections of what was going to be collected. Now, since the DDA took on the parking system, it's projections of the parking system, but it's also projections of what the TIF would be. And I think what you'll find, if you look at what happens in other cities, is the only time that TIF money is given back is when it's not spent. And so all these ordinances are written so that if the DDA is a failure and there are no projects, they can't just sit on a big treasure chest - that money has to go back. And I think the fear was that when the DDA was established - and you can see this from some of the minutes of the council meetings - was from people who thought that this was going to take money from the school system. Well, the DDA does not take money from the school system anymore. So if you look at kind of what the intent was for the whole ordinance, that fear is gone. So some of the suppositions about what the atmosphere was in which this ordinance was drafted are now things that have changed over the years. And so the reason for having that debt clause in there was a justifiable one - that if the DDA takes on obligations based on projections of what money it will take in, you can't pull the rug out from under it. So I think if you really wanted to clarify the ordinance, you would remove the whole first part talking about returning money to any of the jurisdictions, and simply have the paragraph that says so long as the DDA has debt and has projects that it has budgeted for and is spending the money every year, that it continues to operate under the agreement. So the idea is if you don't spend it then you have to give it back. And that's how most of the DDAs - as far as I know, all of the DDAs in the state - work.

Lumm: One of the things that would be helpful is to maybe hear from the other taxing jurisdictions - you know, the county, the community

college and the library and the AAATA. I mean I would like to hear what their take is on the different interpretations, of the year-to-year and the cumulative ...

Lowenstein: ... couldn't you represent them?

Lumm: They are taxing authorities ...

Lowenstein: I think we're talking about here is revising the ordinance with people from the city and the DDA.

Lumm: As a city councilmember, that matters to me.

Kunselman: We did hear from the library.

Lumm: I think that's not unimportant. In fact I think that's very important in how we interpret this. We can't act in isolation, and they are important entities as well. And I think of their take on this is useful information. I see them as stakeholders.

Kunselman: Joan, I appreciate your comment about the idea of removing the part about giving money back. That would give unrestrained TIF capture to the DDA. Because right now you're going to go up to \$4.8 million or whatever and next year when new buildings come online and you'll collect all of that as well. [Lowenstein and Kunselman talk over each other.] I do disagree with your interpretation of what that ordinance is about. It's all about windfall of new taxes, big increases in taxes that would be captured by the DDA. And that's probably why they put the refund clauses in there, so that if there were big major developments downtown, the other taxing authorities wouldn't be quote "cheated out of" a bunch of new tax dollars. Because remember, when you talk about rising boats and everything, there's a lot of money that they are not getting. You're talking about they're getting some money, but there's a lot of money that they are not getting. So that's the way that was done. The interpretation of the DDA attorney - saying that we don't give any refunds as long as we have debt, but we can continue to keep spending on other things other than debt - makes it for kind of an illogical argument. Because you could just keep spending and racking up debt. But ultimately the council approves your budget. So we may approve a budget of \$2 million and if you collect \$5 million of TIF, then what happens? We still have that ability as council. We have that ability to shut your budget down, okay. And I don't want to do that. I don't think anybody's

talking about trying to do that. We're trying to come to some sort of recognition that the DDA is important, you do good things, but you can't have an restrained budget growth.

Smith: Steve, you have said two different things, let me just clarify. Because you said if we get clarity than you will leave us alone and we'll have autonomy and you won't do anything to stop what it is the DDA is doing. But just now you said that you have total authority to pass the budget and would choose to restrict it in any way you want.

Kunselman: I said we had that ability. I didn't say we would do that. I said we had that ability.

Smith: ... so those are conflicting statements ...

Kunselman: ... that's not conflicting - that's a fact. State law allows council to approve your budget...

Smith: ... absolutely ...

Kunselman: ... that doesn't mean you get all the TIF, alright?

Smith: The point being that I don't think there is anybody in the room who really believes that if we strike a certain clarity now, that that is the end of it, and that you are going to walk away and let the DDA do what it is ...

Kunselman: ... why would you think that, Sandi - why would you not do that?

Lumm: Don't we just want to clarify so that we can ...

Smith: ... because I've been on the DDA for nine years now, and there has never been a time when we haven't been asked to clarify something. So this is just another year and another question, and another request. It's what the relationship is about.

Lumm: I remember when I asked what this committee was called and everybody said, "mutually beneficial" and sort of gag me ...

Petersen: I don't know how I got on it, because I wasn't here. I missed that meeting.

Lumm: I think Marcia [Higgins] created this committee, I think, or...?

Kunselman: The ad hoc committee was Sally and I and these two [Bob Guenzel and Roger Hewitt]. And I worked with the city staff because that's what was suggested - Oh, go work with the DDA. This is my first meeting ever with some DDA board members trying to hammer this out. And yes, I've been very blunt. I appreciate your being on the DDA for nine years. I've been on council for six years or so, and I'm still trying to figure out why it is that the DDA controls council. That seems to be the other issue so we're going to try to restore the balance of power. [laugh]

Lumm: Sally touched on a lot of good things, but, you know, to depoliticize this if we possibly can. Because you know honestly it did not help at the public hearings - we sat there a couple hours hearing from the entire homeless community, you know, across the county, saying that if you do this, you know, I don't think, I sat there thinking to all these, you know, well-intentioned people, who were clearly encouraged to come to that meeting. But the topic was much more granular, it was about the calculation, you know. And the speakers were not speaking to that. And I thought that's not helping, it's just fueling you know...

Kunselman: ... the distrust ...

Smith: ... that goes both ways, though.

Lumm: ... the distrust, yeah.

Smith: ... it goes both ways, though. If you roll back to the Connecting William Street, we did not ask for a roomful of people standing there with signs that said, "No," either, so it goes both ways.

Lumm: We didn't organize that!

Kunselman: We didn't orchestrate that, Sandi.

Smith: We didn't orchestrate the thing with the homeless community ...

Kunselman: ... oh, bull.

Lumm: We didn't - well, anyway, we can dial down all of, you know, the

politicking anytime this stuff comes up. And thank you.

Bob Guenzel (DDA board member): Let me just say it came for first reading, and there was no discussion with us as far as I know. Was there, Steve? Come on now, you put it on the table.

Kunselman: You know, but remember, I've been talking about this for a long, long time. ... With the public. It has been a public issue. It did not come out of nowhere. Now let me put it on the flipside: How come no DDA board members have ever contacted me to talk about what it is I'm looking for? That never happened either. The only thing that DDA board members have ever seemed to want to do is politicize it, alright - by running opponents against me. That's the only DDA response that I've ever seen, Bob.

Smith: Here we go again.

Kunselman: Here we go, that's right!

Guenzel: I agree with Christopher - we can make it very clear, but it may not be the substance that we want. If your goal is to get more money for the city, that's a different issue for us, because we think we can do a lot of good things in downtown, and we think those will benefit the entire city, and if you are asking us to come back with how we are going to spend dollars, that we project - and those are only projected revenues in any event - it's the same kind of budgeting that you do. If that's what you want, we can do that. But if you're saying that you need X amount of money to come back to this city and the library and the community college...

Kunselman: I don't have that X amount. All I have said is that I don't think it's right to have unrestrained TIF growth, alright. And the way the ordinance reads right now, when there are significant increases in TIF, you're supposed to refund it.

Hewitt: Just to move things forward, I think, one of the big issues is that debt clause. The DDA and previous councils have operated under the assumption that the debt clause meant that there would be no refund because there was debt. That's certainly how the DDA has viewed that. And the discussions with previous councils, that's clearly how previous councils have viewed that. Now if you want to change, if you want to clarify that so that it does not apply, then I would like to hear from council that that is what you would like to do, because that

would be a first step towards clarifying the ordinance.

Petersen: Sorry, just to jump in before I lose track of this thought. The other issue that needed clarity is whether or not we are using realistic versus optimistic, ... and was the other one cumulative versus annual?

Hewitt: There are a number of ways it can be calculated, and I think before you can get into that, we need clarity on how that clause is going to be ...

Kunselman: Do you agree that a cap would be more beneficial?

Hewitt: I would want to sit down and spend some time with my computer and my spreadsheets before I would want to make any assumption ...

Kunselman: ... that's a staff task. If you set a cap, what would that look like?

Petersen: Are you talking about a hard cap?

Kunselman: I'm talking about an assessment value cap with an escalator.

Guenzel: The cap is on the assessment?

Kunselman: On the assessed value.

Guenzel: On the SEV.

Kunselman: Right. So it's not a hard cap of \$3 million, it's on the assessed value.

Petersen: On the assessed value? Because the way I understood this - and again I apologize for not understanding the meaning of the assessed value - but I was interpreting the cap is that, you know, there's the DDA TIF plan that was set in stone and revised in 2003 and goes out 30 years. So that's the plan, that is the floor. And as the economy is growing, if the DDA does better than 50% of that floor, that overage is the part that gets refunded. And for me that mechanism, as opposed to a hard cap, on the assessed value, is more consistent with a flavor of what the DDA ordinance is - the sense of sharing the wealth and raising all the tides. The question is the debt

part, and the optimistic versus realistic, and the cumulative versus annual.

Kunselman: Remember all of those things are already addressed in the first reading.

Powers: Just by way of clarification, the resolution passed by the council does not refer to the first reading, it refers to any proposed amendment to Chapter 7. So it's this group's charge to propose an amendment ...

Petersen: ... maybe I'm putting this on Tom Crawford because he's not available, maybe I can do that because he's not in the room ...

Powers: ... well, you are putting it on me ...

Petersen: ... okay, I am putting it on you. Can we see the different scenarios under different calculation methods? I know we've done optimistic versus realistic, and we've done key cumulative versus annual, but have we done with or without the debt clause?

[People talk over each other.]

Kunselman: This is why I am open to going back to a whole new first reading of an ordinance revision, to do an assessment value cap. Based on conversations that I've had with people like Roger [Hewitt] and other leaders, a cap would be a lot easier to understand and to figure out and to budget for. If you have an assessed value that you know generates \$4.5 million in 2014, and next year you know you can get a 2% increase on that, you can budget easily, a lot easier than the city can. If you want to go back to the first reading and try to rehash it, we can do that. Or we can just approve it at second reading and be done. But then we would still have these issues of who calculates, who enforces, and all those kinds of things, which I would rather not have to do because it seems like it would be kind of a pain. We go to an assessment value cap, and you know what your budget is, and you don't have to give any money back - why would that be a problem?

Lowenstein: Well, let's make it clear that putting any kind of cap is based on the idea that for some reason the DDA has too much money. It's not the idea that we don't need that money for economic development and a growing city. So what we are saying is that what our money is used for is to stimulate continuing economic development. And

I would argue that as you have economic development, that you need increasing amounts of money, not less. So the idea behind a cap is that: We think you have too much money, not that our city doesn't need that.

Lumm: But isn't that [economic development] what the LDFA does? Because when I look at the projected TIF projects, the wish list if you will, it was about \$2 million, and we asked the question, you know, what would you not do, basically based on the amount of money you wouldn't receive under the proposal - it was, it was capital projects stuff, not economic development stuff.

Lowenstein: I don't think you can separate those, because when there are capital projects, when there are companies that want to come in to Ann Arbor, they come to the DDA. And they say: What can you do for us? So the capital projects are part of setting up the economic climate for growth. It's not maintenance of the downtown, that's not the purpose of the DDA.

Lumm: I'm looking at the list that you provided us. You know, there are sidewalk improvements, William Street, streetscape designs, sanitary mains - it's stuff like that. It's not, you were talking more about, I don't know, you were talking about economic development, but we've also got the LDFA which also captures money.

Lowenstein: But the LDFA doesn't have that ability to put in a new water main so that...

Pollay: Maybe I can clarify that. Two things. One, we were caught this year because we go through cycles. Finishing the First and Washington garage and Library Lane, and Fifth and Division, we were ending a cycle of a lot of work. These things have been seven or, in some cases, 10 years in planning. And so when asked the question, we have not stockpiled the list of projects. We got caught. The list that you mentioned is a good example of economic development. But what the LDFA is doing is putting its dollars to SPARK, by putting people through boot camp, they're really learning how to connect themselves with patent attorneys, and they're really learning how to monetize ideas. Our way of economic development is a slightly different strategy. Think about Connecting William Street - five parcels on a sidewalk that is fairly inactive, a lot of opportunity when you think about it in a planned way, if we put our dollars into upsizing utilities and putting a pedestrian-friendly streetscape next to where there is a

transit center and parking, bringing in the electric and bringing in sanitary, we are now creating an opportunity for a district along William Street to take shape - where right now there is nothing. A lot of what the DDA is doing is making the financial investment, but it is also putting together the planning that lets the property owner know, let's say with the Y Lot, if you make this investment, here are all the other pieces of the puzzle. It's not just you as an island on the Y Lot. This is now Library Lane, the Kline Lot, Fourth and William, how they begin to fit together to get one plus one equals three.

Lumm: Right, and those are important investments, and I don't think anyone is questioning that.

Kunselman: How come no money went to the project that just got constructed downtown? [Fourth Avenue street reconstruction.]

Smith: Oh, it has!

Kunselman: Nooo.

Smith: Absolutely.

Kunselman: Excuse, me, wait, wait, wait ...

Lumm: ... I was trying to tie this to what Stephen said earlier about ...

Kunselman: ... Mr. Powers answered at a public meeting a question that I asked: Did the DDA contribute any money towards the Fourth St. project.

Smith: So Mr. Powers is relatively new to this part of town, right? So the previous parking agreement that we had that we re-did, had 15 years worth of street maintenance [Lumm and Smith talk over each other] ...

Lowenstein: about \$800,000 went into street maintenance.

Kunselman: ... I'm talking about a construction project, with water mains and roads.

Lowenstein: ... and all that money was being stockpiled for projects like the Fourth Avenue.

Kunselman: But no DDA money went to the Fourth Avenue project.

Lowenstein: The DDA money went into the big city pot, and money came out of that big city pot and went to Fourth Avenue.

Kunselman: How'd that work?

Pollay: So again, when we took over the parking system, there was a segregation of some of the revenues into the street funds and separation into general fund. When we went to a percentage, it just goes across Huron Street and the city allocates it as it ...

Hewitt: ... the previous parking agreement said that we would pay approximately \$800,000 a year, which we did ... [Hewitt, Lowenstein and Kunselman talk over each other]

Kunselman: That's great, but that's not what the question was. [More talking over each other.] Maybe parking money needs to be separate from TIF.

Lumm: ... half of the parking revenue, \$6.5 million in debt, half of that was covered by parking revenue, not TIF money, so I'm just saying..

Kunselman: ... so I'm hearing that the DDA is really generous with parking revenue, giving it to the city for street projects, but apparently we don't know that!

Smith: It was all well before Steve [Powers] came to town.

Pollay: We took over in 2002 the street meters and with that a percentage started going, and then the new agreement was effective later.

Lumm: And that came about because of the three site thing that was going on, or something?

Pollay: No, it was a lot of retirements at the city, among the many issues, it was something like six or seven out of 12 parking staff were retiring, so it was an optimal time to take a look at how the rates off-street were escalating so quickly to pay for parking debt ...

Taylor: ... so not related to the renewed agreement.

Pollay: ... no , not related to the renewed agreement. At that time it was optimal for the city and for the DDA to take over the meters. And then there was an exchange where some of the money went for street funds. But we changed all of that in 2010, when we did a new agreement with just a straight percentage. [The actual date of the ratification of the new agreement was May 2011.]

Lumm: I remember when, I was around you know a long time ago, as you know, when we approved the 10-year parking structure replacement and repair plan, and that was something that was desperately needed and the DDA did a phenomenal job with that. And at the time I remember, we wanted you to not only take over the parking structures, and the street meters, and I remember Ed Shaffran pulling me in a back room and saying, "Jane, you know, just ease back, you know." No, but I think that's a good thing. I would like to see, not that we're going to revisit this, but this is a how-many year agreement?

Pollay: The parking agreement will go through the end of the DDA.

Lumm: Is it 30 years?

Hewitt: 20.

Smith: Or until it gets re-opened!

Hewitt: It goes through 2033.

Lumm: That's a long-term agreement! [The agreement can be ended after 11 years, however, with a 1-year notification.]

Pollay: I could saturate you. I can get you a copy of the most recent agreement. Would you like to see the previous agreements? Would that interest you at all?

Lumm: Actually what would really be helpful is like a Cliff's Notes version, of just the highlights, of you know just what this one does and what the old one did.

Smith: Can I touch a little bit also on your list of TIF projects that you were talking about?

Lumm: Well, it's not my list, it's your list.

Smith: Well it's that one that you're looking at right now. So, I'm not sure, I think that came from like - it wasn't even a quorum meeting, but was a group of people, and there was a short period of time and you said what would you not be able to do, and we kind of all just ...

Lumm: ... I wanted a list of specifics, not just some things that might ...

Smith: ...I'm just trying to recall what generated that ...

Lumm: ... I was trying to understand what the specific impact would be on this ordinance ...

Smith: ... So what may or may not be on the list is exactly what I'm going to answer - are things that we wouldn't have the ability to go forward with, like some of the things that we're hearing in Grand Rapids, for instance. But also things like Huron Street, which has from my understanding full construction drawings done. So Huron Street is a pedestrian gulf that pedestrians don't cross because they get to the end and people kind of go "Eww, this is a windswept concrete canyon" and they turn around and go back. There are plans ready. Would we take on something like that, at the next opportunity when MDOT [Michigan Depart. of Transportation] is rebuilding that road to get involved in constructing better sidewalks and a better experience? That's something that we would not be able to do.

Petersen: Isn't that all kind of moot, because we changed the year from 2014-2015?

Kunselman: Yeah, you have a lot of money.

Petersen: It was responding to that \$363,000 in 2014, so the deleted things on that list could still get done.

Smith: That's [Huron Street] something that was not on the list.

Lumm: These things that were not on the list? These are just things just that had been approved? Things that the DDA has been discussing?

Kunselman: That's the whole reason why we need to have the CIP [capital improvements plan] include the DDA's projects.

Smith: I think that's a good idea. It also is contrary to what you'd talk about being autonomous. [laugh] I think that makes sense, because we as a DDA can be moving forward on something, say, Hey, we say it's a really good idea because nobody likes to walk down Huron, and what if we start getting some more first-floor activity in some of these buildings, and that would be economic development, and it would be a better pedestrian and biking experience and so forth. And the council would say, No, we're striking this out of the CIP because we don't want you to do that.

Kunselman: We have the control to do that anyway. And we've done that before, right?

Smith: Yes, Steve, I know that. So, my point is that planning projects like that you have the control to do that, but what we can do with economic development is to continue to find opportunities like this. South Main is another great example where we have a project going in at the bottom of a hill, but we're only doing a little bit of that. What if we did both sides that go all the way down to the edge of the DDA? What if we were to put streetlights on there now that you guys have a moratorium on it?

Kunselman: Sandi, you can plan for all that. No one is saying you can't plan for all that.

Petersen: I would just say, when I hear you mention Grand Rapids, there's a big difference between - based on what I heard Susan say - between our structure and Grand Rapids, because of the private investment dollars. So I don't know that that's a fair comparison.

Smith: But we did. We're in the process right now at First and Washington of a public-private partnership. We're building a parking structure ...

Petersen: ... that is a specific project as opposed to a whole other pool of funds that we could tap into.

Smith: But that's exactly what it is - a private and public partnership. So we can leverage public dollars and get bigger private investment. We all got something out of that. The city got \$3.3

million. The parking system is getting parking spaces. We are getting one- and two-bedroom units. We're getting 16 affordable housing units. So everybody is getting something with that. And the way we were able to leverage that is by writing a fairly large check right out of TIF.

Kunselman: But I think you had to borrow money for that, though.

Taylor: It seems, there's been a lot of conversation about, if this is to have any utility, if this conversation is to have any utility, it seems to me there needs to be a clarity about not so much what happens with the money and what process there is - is there a CIP or is there not a CIP - is this project useful or is that project useful. It seems that if we keep the focus on the ordinance, then there are two big questions that need to be resolved. Number one: the debt override. Number two: the question of refund or no refund. I include cap in that. The question is: Is there a debt override? And question number two: Is there some kind of limiting mechanism on the TIF above and beyond what is provided by the statute? Now we have a functional system that includes answers to those questions: Yes there is a debt override, and yes, there is a confusing way of creating a refund mechanism. The DDA has made pledges with respect to debt such that the refund mechanism has not frequently been triggered. For my part, I think that's to the benefit of us all. People differ on that. It seems to me like it would be useful if we focus our conversation on those two points. So for my part, because I'm still talking and no one is stopping me, I think that the debt override is very important. The DDA continues to do things for the benefit of everyone - even the people who are in the farthest flung areas of Ann Arbor. And the incurrence of debt is an important part of that. The DDA should have money to pay its debts, and the city has sold bonds pledging the DDA's ability to follow through with that. I don't really care about the DDA's... let me strike that that. I'm not interested at this time in speculating on what the DDA's needs are in the next two or three years. Or what its TIF plans are going forward, what it might need or not need. The DDA has done a good job to date, and until it stops doing a good job I don't want to micromanage that. So again, debt override for my part: useful. Should there be a cap, is it good to have a TIF cap on the DDA if it runs out of debt? I would look at overrides and caps that we have here in Michigan, like Proposition A. Prop A provides a mechanism by which tax dollars are pushed down. They increase, and I'm sure that at some point someone was convinced in good faith that the increase would still be sufficient to meet the needs. I think we all recognize as an example that that one didn't. Does that mean that in

10 years the cap that we devise, if there is no override, will be insufficient? It suggests that foresight is a tricky one and it's difficult to realize.

Kunselman: Let me jump in real quick. The debt issue, the debt override, is a moot issue if we go to a hard cap, and a set value. Because then they just get their budget and they don't have to worry about a refund. The debt issue was in response to them giving a refund.

Taylor: If there is an assessed value cap that applies, why is that true ...

Kunselman: They played that debt card. Because we didn't play it, they played it. Remember they're the ones, their attorneys said, "We don't give anything back because we have debt."

Taylor: Perhaps then there's no cap if there's debt.

Kunselman: The cap is all about budget. It's separate from debt. We budget for their debt. That gets back to my original question: How much debt do you have and how much do you need to make your payments? Some of it is coming from parking and some of it's coming from TIF. The beauty of an assessed value cap becomes very clear and simple, is that council in the future, whatever council, even a council that is even more generous to the DDA, can just go in and amend the ordinance and raise that cap. It makes for a simple methodology. Rather than all this wrangling. A council with new members that will amend the ordinance - because nothing was ever set in stone, except for the time that you're on council. Each of the councils can change what was done. So we're working to change something that was done in the early 1980s. I would like to see it changed, because what was done in the early 1980s is not working for us now.

Lowenstein: I'm not sure why it's not working. I would also remind you that there is a cap, actually, because unlike every other DDA in the state, our assessment is frozen at the time that the new property is built. So we don't capture, our TIF capture, doesn't increase with increase in value. That's unique to Ann Arbor and we essentially are capped, because as the value of the property increases, the DDA doesn't get that. The city is the one that's getting it, so we are capped.

Taylor: I mean, I knew that's the way that we worked, but I didn't know that this is what distinguishes us from other DDAs.

Lowenstein: It does.

Pollay: And many of the DDAs take advantage of the state statute, which allows for an assessment of up to 2 mills, many of the smaller DDAs, to use for their operating costs, and I think Ypsilanti is one of them - we opted as a city not to use that. So that's also different in terms of the reliance on our TIF for some of our operating expenses.

Petersen: Can I ask a question: Does the debt override have to be an either-or? Can it be an asset ratio above which - if we're not going to do a cap, if we're going to leave the debt override in there? Maybe it's a certain amount of debt?

Kunselman: I don't think anybody wants to cap them so that they have an inability to pay debt.

Petersen: I'm just saying that as their debt goes down, the contribution to the city goes up.

Lumm: If it falls below the amount of TIF capture... but in the foreseeable future that's not going to happen.

[People talking over each other.]

Petersen: So at what point do we say it's still okay to do the refunds, given this planned debt.

Kunselman: I think the way they've phrased it is they'll never give a refund.

Lumm: I think that's how it's going to play out. If the level of debt exceeds the TIF capture - I'm oversimplifying here, but I think it's fair to say that will be the trend going forward for a number of years, more than likely. So the way the DDA has interpreted that is there is no refund. I'm sorry, but you mention Grand Rapids, and looking back to this Q&A, when we were told that the method of calculating the debt is unique to Ann Arbor, I also understand that there's a requirement in the state DDA act that requires you to refund surpluses. So a lot of DDAs have to make this calculation, so I'd like

to know how they do that.

Kunselman: Is it the annual surplus or is ... ?

Lowenstein: ... the only surplus is when the DDA is not spending money - it can't just sit on it. So I think it's been very loosely interpreted.

Lumm: I'm asking specifically about the debt. It is in the state act so, again, all the cities are having to do this calculation, and I would just find that calculation helpful.

Lowenstein: What I'm saying is that I don't think it's a calculation. I think Scio Township might have had a refund... but anyway ... I think one of the things that I think also is not being understood here is that the DDA is to some extent not only planning capital projects according to what everybody thinks is wonderful, but the DDA has to be responsive, so that you have a business that comes to town and wants X and nobody has ever thought about X before and there has to be some kind of reserve to allow for that kind of response. And that's part of the economic development. So that if you say, you know, I don't think we need any more money than these 10 projects, that doesn't allow for that responsiveness, and we have had to respond many, many times for that kind of a thing.

Petersen: The companies that are outside the DDA district may come and ask the city for the same amenities, and because the DDA has the money and the city doesn't, then we can't be nimble. I understand this nimble argument that we've got to be ready and we've got to have something ready. But as a city that becomes cash-strapped, we can't offer the same set of amenities to new companies, like on State Street.

Lowenstein: Unless you create a TIF in these other places, which can be done. And many places have done - these would be TIF capture districts.

Lumm: Going down that path right now, I think honestly, in the community would be like the proverbial third rail. Because people just see this whole topic of diverting ...

Smith: Look at West Stadium, which has had a whole lot of infrastructure improvement, and we are seeing some businesses choosing

to locate there because you've got pedestrian islands, streetlights, you've done things to improve. Look at Washtenaw. So the Reimagining Washtenaw - the city is doing the same sort of work, the city is doing what you say. The city might not be able to be as nimble, but in a long-term vision document, you say this is what we're doing. And businesses will look at that and say, I'm going to buy property here because I know this is the direction that the city is planning on going. For my money, I would buy something on North Main right now. It might not be next year, but in 10 years, there will be an investment of MDOT [Michigan Department of Transportation] and city resources on improving that. It's a bigger organization so it can't be as nimble.

Powers: I'm hearing the conversation now come full circle. It started off with a question of what the council wants the DDA to do. A different approach to this cap - a different approach to the question of how much money the DDA needs - is to focus perhaps more on the budget and the CIP. If the council does not want the DDA to be nimble, and ratchet down the amount of money that they're collecting by tying it to a budget and a CIP that will be approved by the council. If you want the DDA to be nimble, work that into the budget and the CIP - work the debt into the budget and the CIP.

Kunselman: You know, I appreciate all that. We're talking in the realm of about a \$0.5 million - \$1 million [reduction compared to what the DDA would otherwise get]. I don't think anybody's talking about taking it down to 3 million or anything like that. It's been bumped up from \$3.9 million to over \$4.5 million. So with Sally's amendment, it gives you a lot more money. So what's the problem with trying to clarify the ordinance? All's I'm hearing is: No change whatsoever and don't restrict! But that's not what got us here.

Lowenstein: Well, we certainly did not get us here.

Kunselman: Right. I did.

Lumm: I think it honestly, yeah, isn't this far better than hashing this out at a council meeting, and ...

Lowenstein: Maybe and maybe not.

Lumm: But if we don't, it's not going to be resolved.

Petersen: Can I ask a question because there's something still missing

for me. These are the calculations that were given us for the last meeting. And because we start in 2015, the ordinance at its first reading as passed is not life-changing. Unless I'm missing something. Were these calculations not agreed to? They came from, I thought they came from Tom [Crawford]. I thought they came from a collaboration between the DDA and the city.

Kunselman: Well, numbers are numbers.

Petersen: But we've got to make sure that there's fact behind these numbers. I thought they came from Joe [Morehouse] and Tom [Crawford]. So I don't understand, I don't see this as being life-changing for the DDA, unless there's something I'm missing.

Taylor: There is a multimillion dollar figure in there, and I think ...

Lumm: ... in 2015 the cumulative estimate was \$3.7-3.8 million and annual it was \$4.8, so \$1 million.

Petersen: ... it depends on which line you are looking at, I guess.

Smith: Does anybody know what's going on at the state?

Kunselman: A lot of animosity towards TIFs.

Powers: There are three or four legislative initiatives that may get traction.

Smith: But nothing at this juncture?

Powers: Nothing is being considered by the legislature at this time.

Lumm: You mean relative to DDAs and how calculations are done?

Smith: I think there are different people looking at it, as the state is looking under every rock.

Lumm: I'm sorry, I know we got some news from Kirk Profit when there was a question about how captures are done relative to the Detroit Zoo and the DIA [Detroit Institute of Arts].

Kunselman: Some Wayne County communities were keeping the millage

dollars that were supposed to go to the DIA, whereas Oakland and Macomb counties were not, basically. That drives back to some of our issues here in Ann Arbor. Street millage dollars go to the DDA downtown but yet through parking agreements or whatever, apparently nobody knew that some of that money went back into the Fourth Avenue project. But anyway we know that yes, at the state level there are legislators who are a little bit discombobulated about how DDAs collect TIF.

Smith: So what I heard from everybody is that we are looking at clarifying language. And that was something that is common, and as long as, and I think Chris said it well, as long as it does not leave either organization damaged, that's fair paraphrasing, I don't know. So is there something that the staff has been able to draft - several different scenarios that we all perhaps could take with us this evening, to our respective sides and chew on and look out and agree to come back again? Because quite frankly I'm already 15 minutes late for my next appointment.

Powers: I would suggest that given this conversation, Susan and I go and prepare those scenarios, and I think we can do it fairly expeditiously.

[Brief talking over each other while it's established that the DDA ordinance final vote will be on the council's Sept. 3 agenda the following week.]

Petersen: I don't think we can be there by next week.

Taylor: I'm not on the DDA, but let me try to take a stab at answering what your question was - basically that you saw nothing in the proposed reductions that was life-changing?

Petersen: I didn't see anything. There's \$74,000 in the first year, \$59,000 in the second year, \$25,000 and then it goes positive after that.

Taylor: See now there, that it is, well, I guess, your frame is change over time this year, change over time with respect to the year certain, rather than the total refund, is that right?

Petersen: It's how much would the DDA receive compared to the existing 10-year plan based on city estimates and DDA estimates.

Kunselman: So there's nothing earth changing compared to their 10-year plan.

Lumm: There's a \$300,000 difference for 2014.

Kunselman: Because remember, you know, they can't project 10 years out all those new buildings that haven't come on line.

Taylor: Well, they can't project that, and they also can't project immediate needs, and needs that have not yet arisen. This gets to the nimble argument, you know, the alleys go to hell in a way that is not known and not foreseen. Somebody needs to paratroop in with \$1 million this year. You know, who's it going to be? The DDA. You know, the streetlights fall apart ...

Petersen: ... but those again, because we represent the city, streetlights downtown versus there are no streetlights on Nixon Road or Huron Parkway. Period.

Lumm: Exactly.

Kunselman: The question whether the DDA should be maintaining a fund balance to be nimble with.

Taylor: Absolutely.

Kunselman: I'm hearing that they're not supposed to be collecting a big surplus to be saving.

Lowenstein: Well, it's not a surplus. If you need it, it's not a surplus. [People talk over each other] I think it's if you see that it's not spent after five years, then it's a surplus.

Taylor: There are, of course, needs elsewhere. You see, but because the mechanism for return takes money, takes all of the DDA money and sends it to all of the authorities, ...

Petersen: ... including the city ...

Taylor: ... including the city, but a lesser portion of it - materially lesser than the whole. You are a net, losing city dollars. You're net losing dollars that could be used for the city within a

city.

Kunselman: I don't feel good just because I can take someone else's money, and keep it.

Taylor: I guess: They signed up for it. [Taylor's statement is based his inaccurate belief that there was an opportunity for the other taxing jurisdictions to opt out of the Ann Arbor DDA's TIF capture.]

Kunselman: Well, the library didn't. They would like some of their money back.

Taylor: And they haven't come to us to say that they ..

Kunselman: ... they wrote us a letter. They wrote [mayor John] Hieftje a letter.

Taylor: In 2000-what?

Kunselman: What, two years ago?

Lumm: I was told that Larry [Whitworth] - I apologize, but the former president of the WCC [Washtenaw Community College] also had similarly contacted the city about this. But anyway, that's an unknown. That's why I said earlier, I would like to hear from, yeah,

Lowenstein: ... so that you can take money that is being spent right now in the city of Ann Arbor and farm it out to the other jurisdictions?

Lumm: I just see them as stakeholders, you know. And I think and again, this also gets back to the state law speaks to you know how the refund is calculated [Lumm reads aloud from a sheet]. I don't want to seem like a broken record, I would just like to know how it's done elsewhere in the state. And I think that Steve's [Kunselman's] point about focusing on the CIP will help - clearly you have needs, the alleys are going to hell, and lampposts and whatever. The same thing can be said across the city - which is why we have to prioritize it in the capital plan. And so if there is a more concerted effort to try to prioritize these in the way the city does - I'm not saying that you don't - but we were surprised by some of the ...

Smith: It's not an official list, Jane.

Lumm: I'm not saying it is. A lot of this is to be determined. I'm just saying, just like everybody else in the city, maybe we do need to try to prioritize these. Because we all have our wish lists, and every neighborhood has needs, as Sally said, there's no streetlights ...

Smith: ... there's a current moratorium [on streetlights].

Lumm: But to say that you would put more streetlights in, there's that give-and-take that I think we all must recognize ...

Petersen: ... I blur the lines a little bit - not to, sorry, I did see the VMA awards last night and I did not mean that "Blurred Lines" - when we talk about the other jurisdictions, I don't see there being hard lines between the Ann Arbor Public Schools and the Ann Arbor District Library and the Washtenaw Community College and at DDA - we're all the city of Ann Arbor and I include the University of Michigan. But, so, I think we need to get out of our little fiefdoms here. To be honest with you, I'm more concerned about the viability of the public schools than I am about the viability of the downtown.

Lowenstein: ... which we have no effect on...

Petersen: ... yes, we do though. It's one of the taxing authorities ...

Lowenstein: ... no ...

Petersen: ... Ann Arbor Public Schools is not one of those?

[People talking over each other.]

Lumm: Businesses will come here and relocate here if the school system is strong.

Petersen: The school system is the main attraction for the University of Michigan, not that we don't have a great downtown, but it's that because the public schools have historically been so great.

Lowenstein: Well, now we're getting way off track because we have absolutely nothing to do with the public schools.

Smith: Nobody in this room can do anything about the public schools.

Guenzel: I have to go because I have another meeting but I like Steve's [Powers] suggestion to have Steve and Susan - if we have something concrete so we can have a magnitude for all parties. Sally says it's not life-changing but maybe ultimately it is.

Petersen: That's why I said, What am I missing?

Kunselman: Remember the DDA has never taken a budget cut - to the extent that the rest of the city has, and that's one of the things that is driving this. Downtown TIF dollars go up, everybody else's revenue has been going down. There's been a lot of cuts to a lot of other services.

Taylor: Let me touch upon that, which is to say that the DDA has gratuitously given the city millions of dollars in the past few years.

Kunselman: Our own dollars, though.

Taylor: No, the DDA's dollars, dollars that the DDA was not required to give to us, that goes to their institutional detriment to give it to the city.

Kunselman: At the same time, they can't spend money without the city approving it, either. So that's a strawman argument just as well. Because they would have to be sitting on it, because they can't spend money on the parking structures without city approval, they can't spend money on infrastructure without the approval, they really can't do much spending without city council approval.

Lowenstein: They can't budget money without the city approval. Spending and budgeting is two different things.

Taylor: If your point is that the DDA has not taken a hit, then functionally the DDA has been taking hits. [People talking over each other.] The DDA gave the city money when the city was desperate for money to the tune of millions of dollars.

Lumm: Yes, why do you think that people call the DDA the city's ATM?

Taylor: Anybody who likes city services should look at that as a good thing!

Hewitt: Since I have been on the DDA, I think we have given back to the general fund from our parking, from the parking system, which by the way when the DDA was founded was losing money, at least \$2 million a year every year. We have turned the parking system into a successful financial operation and the city has benefited from that.

Kunselman: How is the parking system working properly now, if \$4 million of tax dollars are being used to keep it afloat?

Hewitt: \$4 million in tax money to expand the system, because of the demand from the growth of downtown. Those are the first new parking spaces, additional parking spaces, we have added to the system in 25 years.

Smith: And we've added how many millions of square feet of building space?

Pollay: It's 3.1 million square feet ...

Hewitt: ... with no additional parking spaces until this last parking structure. And we could've built it a lot cheaper if we had put it above ground. But there was a consistence on all of council and the DDA that it was worth it to build an underground, and to spend the additional money. And indeed if we weren't giving the city \$3 million a year out of the parking fund, we would not need to tap the TIF. But I agree with Bob that the best approach now is to have Steve and Susan come up with some scenarios, so we can look at some hard approaches.

Kunselman: That's what I thought we asked for the last meeting.

[Brief back and forth between Lumm and Pollay about benchmarking.]

Powers: If the committee is done commenting, you should provide for public comment, as it's a public meeting.

Smith: Is there any comment from the public that is present?

Detter: I always like to give a comment! [Detter offers comment.]