



DOWNTOWN DEVELOPMENT AUTHORITY

Park District Proposal Review Team

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Meeting Minutes - **Draft**

Douglas Jester, Chair
William Mansfield
Ben Eysselinck
Julie Jones Fisk
Konrad Hittner
Tricia Foster
Ken Szymusiak
Steve Troost
Pat Wolf
George Lahanas
Mary Haskell
Todd Sneathen
Tim Dempsey
Tim McCaffrey
Darcy Schmitt
Tom Yeadon
Lori Mullins

May 22, 2013 – 3:00 PM
54-B District Court, Courtroom 2
101 Linden Street

Staff Support

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1. Call to Order

Jester called the meeting to order at 3:03 p.m. At the taking of the roll, Szymusiak and Eysselinck were absent. Szymusiak arrived at 3:05 p.m.

2. Approval of Agenda

Jones Fisk moved to approve the Agenda as written; Troost seconded the motion. Vote: All yeas. Motion carried unanimously.

3. Approval of Minutes

a. April 10, 2013

Wolf moved to approve the minutes of April 10, 2013 with a couple of minor corrections. Hittner seconded the motion. Vote: All yeas. Motion carried unanimously.

b. April 17, 2013

Wolf moved to approve the minutes of April 17, 2013 with one correction; Hittner seconded the motion. Vote: All yeas. Motion carried unanimously.

4. Written Communications

Mullins said there were letters of support that were provided for DTN from:

- Tracy L.C. Miller, Director, Delhi Charter Township
- Steven Hayward, DDA Executive Director and Lansing Township Director of Planning & Development
- Mark Kieselbach, Director of Community Planning and Development, Charter Township of Meridian
- Rick Galardi, DeWitt Charter Township Supervisor
- Letter from Van Martin saying that a determination should wait until owners of the private property are determined

For Urban Cultural Arts & Studio Intrigue (UCA):

- Walter Johnson, Partner, Third Coast Real Estate
- Letter from Mark Ferris, Commercial Lender for First Federal Bank of the Midwest, regarding dealings with Joe Biersbach, Ray Cox and William Demmer

5. Public Comment

Elliot Singer, 37 University Drive, East Lansing, responded to the comments from Van Martin, who is with CBRE. He said CBRE is paid to participate in the Park District review advocating for another real estate company, DTN, which is represented on the DDA. He indicated their senior vice president was a member of one of the Strathmore Limited Liability Companies. He said in order for DTN to have free and clear title to the bank building after the June 18th redemption period, they would have to prove four things, which he said he would provide in an e-mail.

Singer felt the City is dealing with game players, and he does not believe Strathmore will just walk away from this. As to Steve Hayward of Lansing Township, he said the situation regarding the Heights of Eastwood is dire—6 million in taxes have gone towards debt service for the bonds. He feels DTN's proposal, even if they obtain all of the Strathmore properties, is too big and would require bonds. He opined that citizens do not want a large parking structure, no matter who pays for it.

Singer said neither Lurvey White nor Urban Cultural Arts has done anything as large as what they are proposing. He believes the site plans should be scaled back, especially the parking structure and major public works. He said he likes the incubator ideas more than a year-round farmer's market. He said the Lurvey White proposal requires bond financing. The trick is adequate parking. Singer supported a modified Lurvey White site plan and Urban Cultural Arts, not DTN. He felt that none of the current proposals are viable as presented and favors housing for 55+ MSU alumni. He felt that DTN can develop their properties individually.

There being no one else wishing to speak, Jester closed the Public Comment period.

6. Financial Review Subcommittee Findings

Yeadon said since he prepared his memo for the packet, he received a call from the Mayor of Flint stating that Lurvey White is an excellent developer and always delivers projects as proposed. Regarding Urban Cultural Arts, Yeadon said he received a phone message from Mr. Thornburg's banking reference saying he did his due diligence on him on a lot of loans and feels he is an excellent developer.

Yeadon said that DTN and Lurvey White provided documents for the 17 items which they requested. He did not get documents from Urban Cultural Arts (UCA) but met with them, and said there were no problems which they identified. Yeadon indicated he does not have documentation to prove that. He said he and Haskell felt that DTN has the financial wherewithal to deliver the project. He indicated all their references were very positive. They received some banking references for UCA. He said UCA has not done a project of this magnitude, either collectively or as individuals, and an operating agreement has not yet been formed for the LLC. He said the four partners are reputable, and they may be bringing in other partners for equity. Lurvey White is a start-up development company and has done significant projects, but has not done anything of this magnitude as yet.

Yeadon said he and Haskell did not do a full due diligence review on any of the proposed developers; that's a much more involved process. Their goal was to determine if we are dealing who the developers said we will be dealing with and their financial capacity to do the project. Later if a specific developer is selected, they would look at pro formas for the development project.

Mullins said that Lurvey White sent her an e-mail noting that letters of recommendation were included for other companies, and previously they had provided letters of recommendation, which the committee previously reviewed.

7. Final Scoring of Criteria #3

Mullins said the scoring comparison did not have the correct formula for the new averages for Criterion 3; she read out the correct numbers.

Jester said DTN's score ranges from a couple of 15s, a 7, an 8 and a couple of 9s.

Hittner said he scored them a 9; he broke the financial criterion into two parts. He said they have access to sufficient capital, but he did not think he was qualified to answer the second half of the question with regard to reasonable estimates of project costs and sources and use of funds, but he believes DTN has the resources to do what they said they'd do.

Foster said she gave DTN a 15 based upon all of the supporting documentation, interview and financial review. She said they were the only developer that not only supplied everything that was asked but opened up their books. She remarked that given the failures of the past, getting someone that can perform financially is incredibly important.

Jester said Lurvey White's scores were 5, 6, 7, 8, 9, several 10s and a couple of 12s.

Dempsey said he ranked them close to average—DTN first, Lurvey White second, and UCA third. He said Lurvey White had a willingness to share with the Financial Review Committee, but they do not have the track record of bankable projects. Their projects lean more on the subsidy side and he downgraded them slightly because of that. He said he gave UCA a penalty for unwillingness to share financial information. He said we had an extensive list of requests for financial information, so there were some elements that each developer could have provided. He said DTN appears to have the financial ability to do the project.

Jester said scores for Urban Cultural Arts were three 5s, a 6, several 8's, a 9, and a couple of 10s.

Foster indicated she rated them low because of the lack of financial information. She said before we make recommendations to City Council we needed to have put a lot of these questions to bed by now with some transparency.

Szymusiak said in his rankings DTN placed first for their financial capacity. He indicated he ranked UCA highly, and the fact that they did not share enough documentation and there is not an LLC formed by now is a little disconcerting, but given the number of LLCs that both DTN and Lurvey White would create, the committee may not know the end partners. He said UCA's track record is good and they have the ability to get financing. He thinks the partnership they have now could be successful, and he liked their design.

Yeadon said he hasn't been voting or ranking the companies, but from what he and Haskell reviewed, he would put DTN first, then Lurvey White, and then UCA.

Haskell said she would concur and said DTN brought everything they asked for. She said Lurvey White provided not as much information as DTN but provided a lot of the information they requested. She said Lurvey White is a much younger company as far as working together. She said with UCA everything was verbal. She stressed the importance of having some method of validating what they said, and all they got was what was included the attachments. She said bankers did say they were bankable.

8. Recommendation to City Council

Jester said we could recommend to Council all three proponents for further consideration. He said we should articulate our reasons.

Lahanas said we could recommend 0 to 3 developers and some narrative information would be useful. Jester felt the committee should come to a consensus.

Haskell commented that the financial due diligence was of a very limited scope and that the pro formas of the developers need to be vetted thoroughly prior to entering into a Development Agreement.

Wolf asked Mullins to explain the notes. Mullins said she sent out was rough notes with verbatim comments and what she printed out today was organized per criterion, and she indicated on the notes when more than one person made the same comment. She said when there were no comments on a certain criterion, she would write in No Comment.

Foster and Dempsey recommended forwarding on at least two developers or none.

Hittner said the committee needs to address Mr. Singer's comments. He questioned if we should proceed to recommendation or consider the "do nothing option."

Lahanas said doing nothing is an option if none of the developers are qualified, but he believed they were qualified. He said the purpose of this committee was to screen developers for City Council; we sent out an RFP as part of the process, and City Council could choose to do nothing.

Szymusiak said he's leaning towards recommending all three because they all have shown strengths in particular areas; one has the financial capacity to break ground next week; the others have shown some interesting designs and may not have the track record as DTN and have shown a willingness to become more engaged with the public. For DTN, he said there is still some uncertainty with the private parcels. He ranked all companies similarly.

Wolf said the distinction among the three is still too close to call as they all have weaknesses and strengths. He said staff has consolidated all of the committee's comments, and he does not think they can be reduced much more other than including them in a straight narrative. He said Council can take the next step so they can review them.

Lahanas said recommending UCA would give Council a lot of extra work—we would be making a decision with very limited information.

Sneathen said financial information was given a 15-point ranking, and they said Qualification 3 was not as important as the experience in completing projects of the complexity and significance of what is envisioned for the site.

Lahanas asked what would change with the third participant a couple months from now. Dempsey said there would be a more intense review at the pre-development agreement stage because it would involve outside resources, at a more substantial cost.

Yeadon said he did not get the impression from UCA that they would give more numbers in a further financial review. They were fairly dismissive in their lack of providing documents.

Haskell said we would not know until at a much later date who UCA's equity partners would be.

Foster said from a due diligence standpoint, the qualification piece about the ability to perform is key. She indicated she rated UCA very high in a lot of categories, but said if they can't close the transaction and produce the development that they indicated, then at some stage of the game you have to draw the line. They have to be able to perform. This is paramount to getting a project completed.

Lahanas said he rated them very high, their design was great and their experience with community involvement was good, but Criteria 3 is important.

Szymusiak felt UCA has the financial capabilities and said they have completed a lot of projects. He indicated we don't know who the final partners will be with the other two developers

Hittner said DTN is a skilled business organization; they know how to make money running medium-sized operations. He thinks they could do the project. He said what concerns him is if the community will be well served by having a further concentration of commercial real estate in the downtown area. He said DTN stands to own most of the frontage on Valley Court Park, and he questioned whether that is a good thing. He said they could wait to develop the properties they own and allow the Park District property to be developed by either Lurvey White or UCA.

Wolf said if we eliminate UCA for financial shortfalls, we should also eliminate DTN for other shortfalls other than financial. He felt Lurvey White has the best combination of qualifications and that they should recommend all three developers and ask them to correct their deficiencies, or recommend only one.

Foster said DTN's averages for qualifications were similar to Lurvey White's. She said we will provide notes and information with the recommendation, so a DTN or Lurvey White could improve upon their proposals after the community input piece, which will determine how the ultimate project unfolds. She felt all proponents appear to be incredibly receptive to the community involvement piece.

Jones Fisk said she felt Lurvey White had a much higher regard for incorporating public input; i.e. Project for Public Spaces. She said she reviewed them online and felt they took the public charrette piece a little more seriously than DTN did in their presentation.

Foster said with regard to the charrette process, DTN did not come across very well in the interview, but she has observed them participating in the Michigan Avenue/Grand River Avenue Vision charrettes.

Yeadon said he feels we must let Council choose among the qualified developers and should not take into consideration how much property a developer owns in the area. He stated his preference would be to give Council as many options as we feel are available to them and let them choose.

Mansfield said their task was not to choose a developer but to give City Council a couple of good options. He said he was surprised about UCA's unwillingness to participate in the financial review and recommendation, but would recommend forwarding on all three proponents.

Jones Fisk said she agreed with Wolf's point, and felt we should not reduce the notes from the committee, as they give Council a good picture of why we like the developers.

Lahanas said he felt we do not have enough information for UCA to recommend them to City Council and will not have any more financial information.

Jester said he would be inclined to give Council more than one choice and recommended that we identify areas of concern with each of them.

Mullins said there is also the option of providing them in a ranked order, so you are not eliminating one or two.

Wolf said he did not get the impression that UCA was found to be unqualified. He said their bank references have checked out; just at this point they have not provided documentation because they have not formed an entity.

Yeadon said UCA did not offer to supply any documents and made no effort to provide personal financial information. He did say he believes they have ability to pull together investors to do it. Yeadon said UCA only provided one page of information to the request for information which listed 17 items, and they only provided one response.

Dempsey moved to advance DTN and Lurvey White Ventures as qualified developers to City Council for future consideration; Foster seconded the motion. Dempsey said providing the financial information is really critical. He said we all know the history of this project and the importance whichever developer we select being open and sharing documentation. It's understandable that people don't want to provide this, but this will be a public/private partnership and the bar will be set high. If a developer will not hit that bar at the beginning stages, that is a problem. He said we have good options to present to Council with DTN and Lurvey White; both meet the qualifications which we laid out.

Foster said even in the private sector there is a long due diligence process and when we are investigating private developers, obtaining their personal financial information is standard protocol in evaluating transactions. This is not just done for public/private partnerships.

Hittner questioned how transparent Lurvey White has been; he indicated they come from wealthy families, but we have not been provided any access to their trust officers or their sources of funds.

Yeadon said he and Haskell reviewed Lurvey White's taxes, and together they have significant financial income and assets which they have control over.

Vote on Dempsey's motion to recommend DTN and Lurvey White Ventures to City Council as qualified developers for further consideration, excluding Urban Cultural Arts & Studio Intrigue: Yeas: Jester, Mansfield, Jones Fisk, Foster, Szymusiak, Troost, Lahanas, Haskell, Sneathen, Dempsey McCaffrey, Schmitt, Yeadon, and Mullins. Nays: Wolf and Hittner. Motion carried 14 to 2.

Jester said we will be providing all of the materials to City Council, including the detailed comments. He asked if the committee wants to articulate a summary separate from the comments, or just forward all these comments as their rationale. He also asked if he has the committee's support for him to sign a letter as Chair summarizing their proceedings and findings and to make a recommendation to Council.

Lahanas said Council should have all the information, but feels the committee should come to a consensus on their recommendation and advice. He said two or three strong points pro and con would be helpful.

Wolf said he likes the format of listing comments relating to the criteria and providing a sentence or two for each criterion listing pros and cons.

Jester asked Hittner if he wants his concerns regarding Eliot Singer's issues and concerns about comprehensive ownership about the property around Valley Court Park to be included.

Jester asked if anyone else had comments to be included in their recommendation.

Mullins noted at the end of the document there were some comments that related to all of the proposals, and said we should also relate the comment from Haskell about needing further financial review.

Yeadon and Foster did not favor taking out comments.

Dempsey said the vote speaks to some level of consensus and he was swayed to forward all the comments. He suggested if any other concerns come up in the next couple of days, committee members should communicate them to staff.

Yeadon said individual members can also voice their concerns to Council.

Jester said he will work with staff on his referral letter and will describe their charge and this process, how they came to recommend three developers for financial review, their deliberations today and their recommendation of two proponents, and he will also highlight the narrative comments.

Lahanas thanked everyone for participating, including the committee and those who attended the meetings.

9. Adjournment

Lahanas moved to adjourn the meeting at 4:42 p.m.; Schmitt seconded the motion. Vote: All yeas. Motion carried unanimously.

Jester said we will notify everyone when this goes to a Council work session.