

MEETING OF THE DOWNTOWN DEVELOPMENT AUTHORITY

Wednesday, January 9, 2013

8:30 a.m. Meeting

Room 601, City Hall

AGENDA

1. Call to order
2. Approval of minutes of December 12, 2012 meeting (enclosed).....*Motion Harris*
3. Introduction of New Board Members.....*Info Item Harris*
4. Election of Officers.....*Motion Harris*
5. Preliminary DDA financial reports for the period ending December 31, 2012*Motion Wallace*
(enclosed)
6. Presentation of the FY 2012 Audit.....*Info Item Wallace*
7. Recommendation to award a contract for Arena South Visioning*Motion Larson*
(enclosed)
8. Downtown Grand Rapids, Inc. Formation Update..... *Info Item Larson*
9. Executive Director's Report.....*Info Item Larson*
10. Action Group Reports*Info Item Larson*
11. Public Comment
12. Board Member Discussion
13. Adjournment

Downtown Grand Rapids

Prosperous ❖ Livable ❖ Walkable ❖ Inclusive ❖ Green ❖ Connected ❖ Distinctive

UNAPPROVED MINUTES

MEETING OF THE DOWNTOWN DEVELOPMENT AUTHORITY

December 12, 2012

1. Call to Order – The meeting was called to order at 8:30 a.m. by Chair Brian Harris.

2. Attendance

Present: Kayem Dunn, Brian Harris, Elissa Hillary, Jane Gietzen, Joe Tomaselli, and Jim Talen

Absent: Jim Dunlap, Mary Tuuk, and Mayor George Heartwell

Others Present: Kristopher Larson (Executive Director), Mary Sierawski (DDA Executive Asst/Office Manager), Jana Wallace (DDA Treasurer), Richard Wendt (DDA Counsel), Eric Pratt, Anne Marie Bessette, Kim VanDriel (staff), Jim Harger (Mlive Media Group), Matthew Wyman (Bagger Dave's/Grand Rapids Burgers, Inc.), Mimi Fritz (Grand Rapids Downtown Market), David Czubak (Grand Rapids Business Journal), Sharon Evoy (Downtown Alliance), Leann Arkema, Joanne Roehm (Gilda's Club & Laughfest), Richad MacKeigan (SMG), Chuck Henderson (NTH Consultants), Andy Guy (Wondergem), Chris Muller (MRetail), Dennis Moosbrugger (Arena District), Barb Vanostenberg, Dorothy Meiers (Riverhouse).

3. Approval of Minutes of November 14, 2012

Motion: Brian Harris, supported by Kayem Dunn, moved approval of the minutes of the November 14, 2012 DDA meeting as presented. Motion carried unanimously.

4. DDA Preliminary Financial Reports for the Period Ending October 31, 2012

Ms. Wallace provided preliminary financial statements for the one month period ending November 30, 2012, including: Statement A: Balance Sheet; Statement B: Comparison of FY2013 Year to Date Budget vs Actual Results; Statement C: Statement of Current Project Expenditures; and Statement D: Schedule of November, 2012 Expenditures.

Motion: Kayem Dunn, supported by Jane Gietzen, moved to approve Statement D: Schedule of November, 2012 Expenditures, as recommended. Motion carried unanimously.

5. Presentation: Economic Impact of Van Andel Arena

Rich MacKeigan, Regional General Manager of SMG, gave a presentation concerning the Economic Impact of the Van Andel Arena, DeVos Performance Hall, and DeVos Place. MacKeigan gave information concerning the Convention/Arena Authority and the history behind its creation. The CAA contains a 7-Member Board of Directors that

consists of two appointments from Kent County, one appointed by Governor of Michigan, two appointed by City of Grand Rapids, and two appointed by the other five members, selected from a list of at least three individuals provided by Experience Grand Rapids. The CAA employs one full-time employee and one part-time employee. The CAA contracts with SMG to run day-to-day operations of the venues and contracts with SMG for additional executive-level duties. SMG is led by SMG Regional General Manager Rich MacKeigan. To answer the question of whether or not the CAA has met the promise of creating economic activity, the Anderson Economic Group was hired to conduct the economic impact study. The study was conducted for fiscal year 2011. The CAA economic impact totaled approximately \$350 million in just its first six years of operations. Dunn asked if there has been an upward trend since 2011. MacKeigan replied that yes there has been an upward trend and events are selling extremely well. Tomaselli contributed that the Arena and DeVos Place have been one of the big sparks in the city and has helped to spur the growth of restaurants and bars in the downtown. Harris requested a copy of the report. MacKeigan answered that the report will be sent out electronically and Larson will distribute amongst the DDA Board.

6. Approval of 2013 DDA Board Meeting Calendar

The 2013 DDA Board meeting calendar was reviewed.

Motion: Brian Harris, supported by Jane Gietzen, moved to approve the 2013 DDA Board Meeting Calendar. Motion carried unanimously.

7. Authority for Executive Director to create Project Manager position

Larson requested authorization to create a Project Manager position. Larson would like to bring more of the project management functions in-house. Due to upcoming projects such as the development of the Arena South areas and the river restoration, this position would greatly aide in moving the organization forward. Harris confirmed that the Executive Director possesses the right to hire/fire employees and normally these activities would go on outside of the Board. Gietzen asked if the emphasis on this position is based on planning or project management. Larson responded that both skill sets are required. Talen expressed concern with staffing due to there not being an organizational plan in place currently. Dunn assured Talen that this position is necessary and that this is an important move to strengthen the organization. Talen would like to encourage the group to be transparent in where the organization is currently and where it is headed throughout the DGRI organizational development process. Larson added that the organizational development process is currently being worked on by the DGRI Task Force Committee.

Motion: Kayem Dunn, supported by Jane Gietzen, moved to authorize the DDA Executive Director to create a Downtown Project Manager position, to be employed by the DDA, and consistent in pay scale and benefits with local market analogs. Motion carried unanimously.

8. Amended Action: Vue Design BRIP Allocation

Pratt presented information concerning an amended action for Vue Design BRIP allocation. Pratt shared that there was an oversight in the allocation and that it needs to be adjusted.

Motion: Elissa Hillary, supported by Brian Harris, moved to amend the two (2) previously approved BRIP grants and award Vue Design, LLC with a \$13,500 Ground Floor Storefront grant and a \$720 Commercial Signage grant. Motion carried unanimously.

9. Approval of Alcohol License

- Bagger Dave's

Pratt presented information for approval of an alcohol license for Bagger Dave's. Bagger Dave's is proposing to take over a space that is now vacant within Plaza Towers at 241 W. Fulton. Matthew Wyman, a representative from Bagger Dave's attended the meeting to answer any questions. Tomaselli asked when the restaurant is scheduled to open. Wyman replied that the goal is 3-6 months from now, or by Spring 2013. Talen asked if there is a limit of the number of liquor licenses that can be obtained in one area. Pratt responded yes, but that the number far exceeded the current requests. Harris asked counsel if there is anything else that the DDA Board should consider in this matter. Wendt responded no, this is just a recommendation to the City Commission for their final approval.

Motion: Kayem Dunn, supported by Jane Gietzen, moved to approve the Bagger Dave's liquor license resolution. Motion carried unanimously.

10. Request for Event Support

- Arena District Mardi Gras
- LaughFest

Gietzen presented two requests for event support as a representative from the Experience Action Group. The first event is the Arena District Mardi Gras festival and the second event is LaughFest.

In regards to the Mardi Gras event, Gietzen stated that this event is in support of the Experience Action Group's goals to attract business downtown. Since the event is occurring on a week night in February, the action group thought lending their support would in alignment with their overall goals. The dollars being used for the event grants are non-tax dollars.

Gietzen also shared LaughFest's request for event support. Gilda's Club spoke at the most recent Experience Action Group meeting and presented information about the economic impact of LaughFest. This particular request is to support the events that are free to the public throughout the duration of LaughFest. Gietzen shared that the Experience Action Group enthusiastically supported this request because it does support the goal to become a destination for arts and culture. Harris pointed out that this is an expansion of last year's request. Talen commented that he appreciates the work of the Experience Action Group to review these requests and evaluate them before they are presented to the DDA Board. Larson thanked Sharon Evoy and the Downtown Alliance for helping these organizations complete their event applications. Harris contributed that the events need to work towards becoming sustainable as we move forward.

Motion: Joe Tomaselli, supported by Jim Talen, moved to approve the request of \$15,000 to LaughFest to support the no-cost public programming efforts described in the event support application. Motion carried unanimously.

Motion: Joe Tomaselli, supported by Jim Talen, moved to approve the request of \$3,000 to the Arena District to support the on-street musical components of the event as described in the event support application. Motion carried unanimously.

11. Approval of Downtown Land Lease

Larson presented information concerning an approval of the Downtown Land Lease for the Downtown Market. Wendt added that the resolution that the Board will be considering is for approval of the ground lease for the Downtown Market. Wendt contributed that this has been a project that has been in the works for a year and part of what will happen is obtaining new market tax credits. The terms of the lease is a 99 year lease, for nominal consideration of a dollar, the property must be used for the Downtown Market and no other use, at termination of the lease the property comes back to the DDA with all improvements to it. This is also a triple net lease so that the Downtown Market is responsible for maintenance and property taxes. Also, the lease contains insurance requirements which would name the DDA as additionally insured. Harris stated that this is not new work, but simply mechanics of the Downtown Market project. Wendt replied that all of this work has previously been approved by the DDA Board.

Motion: Joe Tomaselli, supported by Jane Gietzen, moved to authorize the DDA Board Chair to execute the land lease agreement with Grand Rapids Urban Holdings, LLC for 435 Ionia Avenue, S.W., and 109 Logan Street, S.W., Grand Rapids, MI, according to the terms listed therein. Motion carried unanimously.

12. Downtown Market Project Update

Dunn presented an update on the Downtown Market Inc. The goal is to have the building open by July 1, 2013. The Downtown Market Board has hired a president of the Downtown Market, Mimi Fritz. Fritz worked with the Holland farmer's market and has a

vast array of skills that are being put to use in this project. Fritz also has experience working with the downtown. Fritz added that she has government background and led all the marketing initiatives for the city of Holland and the Holland farmer's market. She is working on building the foundation of the organization. The Downtown Market has three staff members and are a little over 50% full for space within the market. Fritz is hoping to open the outdoor farmer's market by May. Additionally, the project is on schedule and on budget. Dunn added she will periodically give the DDA Board updates on the progress of the Downtown Market. Dunn reiterated that they are committed to quality and pleasing the community and meeting their needs. Gietzen asked if there are any ribbon cutting ceremonies scheduled. Dunn responded that most likely at the end of June or beginning of July there would be an event scheduled. The next big challenge is getting all the vendors and tenants in the building. Hillary added that this is a very complicated project, but very exciting as well. Dunn has contracted with MRetail to fill the market hall and to fill the entire facility. Chris Muller who works with MRetail has a great background in this type of work and is a great partner. Gietzen asked if they are all food retailers. Dunn added that yes, most items are consumable. Talen asked about the rent rate. Dunn added that Fritz is working on the market rates for indoor tenants.

13. Executive Director's Report

Mr. Larson shared an update with the board.

- The mobility study review team met December 5th to review desired project outcomes. Since the issuance of the RFP, new information has emerged. The City's Traffic Safety and Planning Departments are collaborating on a city-wide bicycle plan that will include Downtown, and these street designations will be released in the spring. In March, the City's Michigan Street Study will provide mode shift targets. There is desire for more connection between the vision plan, land use, transportation, and investments at a more comprehensive level. There is desire for economic efficiencies as well. The group has opted to put a hold on this project for the time being.
- Steve Hillard visited the downtown to assist in safety initiatives. He will be providing a report that will help us build a customized plan for a possible ambassador plan for the city.
- There were two public meetings held concerning the color and lighting for the Indiana Railroad Bridge. The intention of this process was to involve people in a decision about their community. There were hundreds of people that participated through social media to give their ideas. The group looked at the historical background of the bridge and lighting and color issues.

- The DASH North service launched on December 10th. This project has been well received by the community.
- The RFP for the Arena South Visioning was approved on November 27th, released November 30th and proposals are due December 28th.

Harris added that Kris Larson is doing a wonderful job for the community and that nothing but positive things have been said concerning his work.

14. Action Group Reports

Deferred due to time constraints.

15. Public Comment

Chris Muller presented an update concerning the river restoration and the GR Whitewater group. If anyone wants more information, they may contact Muller at any time. Harris requested that Muller come back to present updates as the project moves forward.

16. Board Member Discussion

Harris shared that Board Member Tomaselli is retiring. The DDA Board presented him with a framed photo of the downtown and thanked him for all his hard work.

Harris shared that DDA staff member, Anne Marie Bessette, will be leaving the DDA and thanked her for all her hard work over the years. The DDA Board presented her with a framed photo from ArtPrize.

17. Executive Session

Harris made a motion to go into Executive Session. Sierawski conducted roll call and group went into private session.

*Motion: Kayem Dunn, supported by Jim Talen, moved to go into Executive Session.
Motion supported unanimously.*

18. Adjournment

The meeting adjourned at 9:46 a.m.

MEMORANDUM

CITY OF GRAND RAPIDS · DOWNTOWN DEVELOPMENT AUTHORITY

**Agenda Item 5.
January 9, 2013
DDA Meeting**

DATE: January 4, 2013

TO: Brian Harris
Chairman

FROM: Jana M. Wallace 
Downtown Development Authority Treasurer

SUBJECT: Financial Statements as of December 31, 2012

Attached are the FY2013 financial statements for the six months ended December 31, 2012.

The attached statements include:

Statement A: Balance Sheet

Statement B: Comparison of FY2013 Year to Date Budget vs Actual Results

Statement C: Statement of Project Expenditures

Statement D: Schedule of December, 2012 Expenditures

The DDA paid the last development project tax increment reimbursement for Summer 2012 assessments. Another round of reimbursements will be issued after February 14 when the December 1 property taxes are due. Expenditures are trending lower than expected after six months of activity. The Authority has sufficient cash to meet budgeted expenditures.

Please contact me at 616-456-4514 or jwallace@grcity.us if you have any questions.

Attachments

STATEMENT A

DOWNTOWN DEVELOPMENT AUTHORITY

Balance Sheet December 31, 2012

	Non-Tax Funds	Debt Increment	Local Tax Increment	TOTAL
ASSETS				
Pooled Cash and Investments	\$ 4,116,990	\$ 9,890,574	\$ 6,903,236	\$ 20,910,800
Petty Cash	-	-	200	200
Debt Service Reserve Fund	-	5,393,265	-	5,393,265
Accounts Receivable	5,924	-	-	5,924
Tax Increment Receivable	-	(550,522)	(720,921)	(1,271,443)
Loan Receivable - Project Developer	898,848	-	-	898,848
Loan Receivable - Special Assessments	22,104	-	-	22,104
General Fixed Assets	-	-	90,371,576	90,371,576
Future Tax Increment Revenues Anticipated	-	33,805,476	266,251	34,071,727
TOTAL ASSETS	\$ 5,043,866	\$ 48,538,793	\$ 96,820,342	\$ 150,403,001
LIABILITIES AND FUND EQUITY				
Liabilities				
Current Liabilities	\$ -	\$ -	\$ 136	\$ 136
Parking Revenue Payable	35,008	-	-	35,008
Project Increment Due to Developers	-	-	119,900	119,900
Due to Other Governmental Units	-	4,103,777	112,911	4,216,688
Debt Increment Reimbursement Payable	-	2,520,629	-	2,520,629
Deposit - Area 5 Option to Buy	50,000	-	-	50,000
Net Retiree Health Care Obligation ¹	-	-	(22,686)	(22,686)
Prior Year Property Tax Appeals	-	595,248	322,566	917,814
Deferred Revenue - Developer Loan	898,848	-	-	898,848
Contract Payable	-	-	266,251	266,251
Bonds Payable	-	33,805,476	-	33,805,476
TOTAL LIABILITIES	983,856	41,025,130	799,078	42,808,064
Fund Balance / Equity:				
Investments in General Fixed Assets	-	-	90,371,576	90,371,576
Non-Tax Increment Reserve	3,455,756	-	-	3,455,756
Reserve for Authorized Projects	-	-	4,470,387	4,470,387
Reserve for Brownfield Series 2012 Bonds	500,144	-	-	500,144
Reserve for Compensated Absences	-	-	17,970	17,970
Reserve for Eligible Obligations	-	6,998,663	-	6,998,663
Reserve for Encumbrances	104,110	-	1,161,331	1,265,441
Reserve for Long-Term Lease	-	515,000	-	515,000
TOTAL FUND EQUITY	4,060,010	7,513,663	96,021,264	107,594,937
TOTAL LIABILITIES & FUND EQUITY	\$ 5,043,866	\$ 48,538,793	\$ 96,820,342	\$ 150,403,001

Note 1: This line is the accumulated amounts of the actuarially determined Annual Required Contributions (ARC) for pre-65 year old retiree health insurance in excess of the "pay as you go" charges disbursed from the Retiree Health Insurance Fund plus interest on the unpaid portion of the prior year liability. The trust fund is currently over-funded which is why the account has a negative balance.

STATEMENT B

DOWNTOWN DEVELOPMENT AUTHORITY Comparison of FY2013 Budget vs Actual Results Year to Date for July 1, 2012 - December 31, 2012

	Non-Tax Funds		Debt Tax Increment		Local Tax Increment	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES						
Property Tax Increment - General	\$ -	\$ -	\$ 7,940,245	\$ 7,995,104 ¹	\$ 4,120,400	\$ 3,831,269 ¹
Property Tax Increment - Transit Millage	-	-	-	-	380,760	380,760
Property Tax Increment - Prior Year Appeals	-	-	(100,000)	(115,467)	(129,372)	67,943
Property Tax Increment - Rebates to City / ITP	-	-	-	-	(50,000)	-
Special Assessments	20,000	1,805	-	-	32,000	215,951
Brownfield Authority - Grandville Avenue	-	-	-	-	39,518	-
Brownfield Authority - Veteran's Park	-	-	-	-	100,000	-
Grant - Michigan Dept of Transportation	-	-	-	-	250,000	-
Interest on Investments - General	38,030	(1,118)	5,000	10,662	88,634	(3,886)
Interest on Investments - The Gallery Note	40,448	-	-	-	-	-
Miscellaneous Fees / Reimbursements	-	5,924	-	-	4,000	85,722
Property Rental - DASH Parking Lots	162,000	80,343	-	-	-	-
Property Rentals - Other	60,498	27,435	-	-	-	-
From / (To) Fund Balance	414,024	-	(5,000)	-	2,190,884	-
TOTAL REVENUES	\$ 735,000	\$ 114,389	\$ 7,840,245	\$ 7,890,299	\$ 7,026,824	\$ 4,577,759
EXPENDITURES						
Economy						
Cash Financed Projects	\$ -	\$ -	\$ -	\$ -	\$ 1,935,000	\$ 825,797
Debt Financed Projects - Principal / Interest	-	-	-	-	385,763	307,631
Economy Action Group Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ 2,320,763	\$ 1,133,428
Environment						
Cash Financed Projects	\$ -	\$ -	\$ -	\$ -	\$ 3,506,729	\$ 401,679
Debt Financed Projects - Principal / Interest	-	-	5,474,475	742,263	124,332	44,606
Environment Action Group Sub-Total	\$ -	\$ -	\$ 5,474,475	\$ 742,263	\$ 3,631,061	\$ 446,285
Experience						
Cash Financed Projects	\$ 734,000	162,512	\$ -	\$ -	\$ 275,000	\$ 43,750
Total Action Group Project Expenditures	\$ 734,000	\$ 162,512	\$ 5,474,475	\$ 742,263	\$ 6,226,824	\$ 1,623,463
Administration	1,000	317	-	-	800,000	268,027
Estimated Capture to be Returned	-	-	2,365,770	-	-	-
TOTAL EXPENDITURES	\$ 735,000	\$ 162,829	\$ 7,840,245	\$ 742,263	\$ 7,026,824	\$ 1,891,490
EXCESS / (DEFICIT)	\$ -	\$ (48,440)	\$ -	\$ 7,148,036	\$ -	\$ 2,686,269

Note 1: Budgeted, negative IFT revenues will be distributed later in the fiscal year.

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STATEMENT C

DOWNTOWN DEVELOPMENT AUTHORITY Statement of Current Project Expenditures As of December 31, 2012

Project Title	Project Budgets		EXPENDITURES			Available Budget
	%	Cost	Month	Fiscal Year	All Years	
Areaway Fill Program (ARIP)		35,000 ^{1,2}	-	-	-	\$ 35,000
Building Re-use Incentive Program (BRIP)		600,000 ^{1,2}	-	38,555	38,300	561,700
Development Project Reimbursements		950,000 ^{1,2}	24,411	749,894	-	950,000
Downtown Market Administrative Costs		-	291	2,069	7,619	(7,619)
Economic Development / Retail Support		105,000 ^{1,2}	3,234	23,080	17,317	87,683
Economy - Miscellaneous		50,000 ^{1,2}	-	-	-	50,000
Other Framework Plan Priorities		25,000 ^{1,2}	-	-	-	25,000
Retail Merchandising Plan		100,000 ^{1,2}	-	-	-	100,000
Retail Support Program		30,000 ^{1,2}	1,019	12,199	12,061	17,939
Streetscape Improvement Incentive Program		25,000 ^{1,2}	-	-	-	25,000
Sub-Total Economy Support	12.71%	\$ 1,920,000	\$ 28,955	\$ 825,797	\$ 75,297	\$ 1,844,703
Accessibility and Mobility Repairs		15,000 ^{1,2}	-	-	-	\$ 15,000
Bicycle Friendly Improvements		60,000	-	-	-	60,000
Cherry Street 2 - Commerce to Division		742,000	-	-	709,825	32,175
Environment / Infrastructure - Miscellaneous		50,000 ^{1,2}	20	20	20	49,980
Fulton St - Division Ave to the Grand River		680,000	-	100,032	497,770	182,230
GR / Indiana Railroad Bridge Painting / Rehab		900,000	933	933	933	899,067
Grand River Recreation Improvements		650,000	-	-	32,435	617,565
Ionia Ave 9 - Buckley St to Wealthy St		475,000	-	-	356,063	118,937
Jefferson Avenue - Cherry St to Fulton St		395,000	-	-	-	395,000
Lyon Square Reconstruction		655,000	-	52	90,463	564,537
Monroe Center - Phase 3		350,000	24,076	24,076	24,076	325,924
Oakes Street 1 - Market to Ottawa		1,700,000	-	90,750	1,339,662	360,338
Public Transit Millage Improvements		2,693,735	-	22,830	1,466,608	1,227,127
River Edge - South of Fulton		650,000	-	-	-	650,000
Riverfront Trails / Whitewater Management		25,000 ^{1,2}	-	-	-	25,000
Seward Avenue Extension		1,093,000	-	13,289	1,076,078	16,922
Sixth Street Bridge Capital Repairs		480,000	-	146,807	300,685	179,315
Traffic Circulation & Parking Plan		250,000	962	2,890	68,438	181,562
Urban Recreation Plan		25,000 ^{1,2}	-	-	-	25,000
Sub-Total Environment Support	78.71%	\$ 11,888,735	\$ 25,991	\$ 401,679	\$ 5,963,056	\$ 5,925,679
ArtPrize Support		20,000 ^{1,3}	-	20,000	20,000	\$ -
Bridge Lighting Operations		15,500 ^{1,3}	-	-	-	15,500
Downtown Marketing		100,000 ^{1,2}	-	43,750	21,875	78,125
Downtown Marketing		100,000 ^{1,3}	-	43,750	21,875	78,125
Experience - Miscellaneous		25,000 ^{1,2}	-	-	-	25,000
Experience - Miscellaneous		51,000 ^{1,3}	-	18,800	18,800	32,200
Project and Fixed Asset Maintenance		75,000 ^{1,3}	-	12,282	7,709	67,291
Public Safety Enhancements Downtown		40,000 ^{1,3}	-	14,854	14,854	25,146
Restaurant Week Sponsorship		25,000 ^{1,3}	-	25,000	25,000	-
Riverwalk Maintenance		10,000 ^{1,3}	-	-	-	10,000
Riverwalk Wayfinding Sign System		40,915	-	-	25,915	15,000
Rosa Parks Circle Skating Operations		42,000 ^{1,3}	-	-	-	42,000
Skywalk Wayfinding Sign Improvements		179,842	-	-	19,842	160,000
Snowmelt System Repairs / Investigation		214,140	-	-	164,140	50,000
Special Events - Grants		50,000 ^{1,3}	-	-	-	50,000
Special Events - Office of		104,000 ^{1,3}	-	-	-	104,000
Street Trees Maintenance Program		20,000 ^{1,3}	-	-	-	20,000
Ticketed Events - Police Services		80,000 ^{1,3}	-	2,366	2,366	77,634
Wayfinding Sign Maintenance		100,000 ^{1,3}	-	25,460	3,316	96,684
Winter Avenue Building Lease		2,500 ^{1,3}	-	-	-	2,500
	8.67%	\$ 1,294,897	\$ -	\$ 206,262	\$ 345,692	\$ 949,205
TOTAL	100.00%	\$ 15,103,632	\$ 54,946	\$ 1,433,738	\$ 6,384,045	\$ 8,719,587

Note 1: Current year (FY2013) budget only.

Note 2: Paid from local tax increment.

Note 3: Paid from non-tax funds.

STATEMENT D
DOWNTOWN DEVELOPMENT AUTHORITY
Schedule of Expenditures
December, 2012

Source	Vendor	Purpose / Project	Description	Amount
Local	Hopson Flats LLC	Development Project Reimbursements	Summer 2012 reimbursement	\$ 24,410.82
Local	O'Boyle Cowell Blalock & Associates	Monroe Center - Phase 3	Construction engineering through 11/30/2012	23,513.85
Local	Paychex	Administration	Staff services - August 2012	17,583.81
Local	Paychex	Administration	Staff services - October 2012	15,623.12
Local	Paychex	Administration	Staff services - November 2012	13,249.22
Local	City of Grand Rapids	Administration	Staff services - December 2012	12,575.75
Local	Paychex	Administration	Staff services - September 2012	10,330.26
Local	City of Grand Rapids	Economic Development / Retail Support	AM Bessette - December, 2012	3,226.50
Local	City Treasurer - Budget Office	Administration	Support services allocation - December 2012	2,656.00
Local	Wondergem Consulting	Administration	Public relations - 11/01/2012-11/15/2012	2,225.50
Local	Dickinson Wright PLLC	Administration	Legal services - reorg structure October 2012	1,401.40
Local	Dickinson Wright PLLC	Retail Support Program	Legal services - retail support Oct 2012	964.60
Local	Hoekstra Town Planning	Traffic Circulation & Parking Plan	Mobility study	962.50
Local	Dickinson Wright PLLC	Administration	Legal services - new X project October 2012	855.40
Local	Priority Health	Administration	Health insurance - 12/01-12/31/2012	784.92
Local	Dickinson Wright PLLC	Monroe Center - Phase 3	Legal services - OCBA agreement October 2012	561.65
Local	Paychex	Administration	Payroll processing fees - August-November, 2012	558.80
Local	Wondergem Consulting	Administration	Public relations - 11/16-11/30/2012	510.00
Local	Dickinson Wright PLLC	Administration	Legal services - devel support policy Oct 2012	509.60
Local	City Treasurer - Risk Management	Administration	General insurance - December 2012	502.00
Local	Dickinson Wright PLLC	Administration	Legal services - misc matters October 2012	473.40
Local	Fifth Third Bank - Procurement Card	Administration	Project Manager job postings	450.00
Local	City Treasurer - Engineering	GR/Indiana Railroad Bridge Painting/Rehab	Pedestrian bridge inspections - 2010 & 2012	340.00
Local	WAM	GR/Indiana Railroad Bridge Painting/Rehab	Postage - stakeholder input solicitation	333.85
Local	City Treasurer - Parking Services	Administration	Parking - Exec Director/Exec Asst - Dec 2012	294.00
Local	Dickinson Wright PLLC	Downtown Market Administrative Costs	Legal services - Downtown Market October 2012	291.20
Local	Dickinson Wright PLLC	Administration	Legal services - Campau Square October 2012	273.00
Local	Dickinson Wright PLLC	Administration	Legal services - sale of Lot 5 October 2012	273.00
Local	Fifth Third Bank - Procurement Card	GR/Indiana Railroad Bridge Painting/Rehab	Stakeholder input sessions at Public Museum	205.00
Local	Eric N. Pratt	Administration	Travel reimbursement	200.00
Local	AT & T Mobility	Administration	Exec director cell phone - 10/26-11/25/2012	181.75
Local	Dickinson Wright PLLC	Administration	Legal services - 45 Ionia site October 2012	145.60
Local	City Treasurer - Parking Services	Administration	Parking validations - November 2012	122.00
Local	JPMorganChase	Administration	Bank fees - August - November, 2012	99.04
Local	Integrity Business Solutions	Administration	Office supplies	96.85
Non Tax	Fifth Third Bank - Procurement Card	Administration	Meeting expenses	72.33
Local	Integrity Business Solutions	Administration	Office supplies	65.96
Local	Adams Remco	Administration	Copier base rental - 11/11-12/11/2012	57.74
Local	Dickinson Wright PLLC	Retail Support Program	Legal services - Grand River Cigar Oct 2012	54.60
Local	DDA Petty Cash	GR/Indiana Railroad Bridge Painting/Rehab	Meeting expenses	54.40
Local	City Treasurer - Parking Services	Administration	Parking - Planner - December 2012	43.00
Local	Integrity Business Solutions	Administration	Office supplies	36.76
Local	Adams Remco	Administration	Copier - black & white copies - 11/27-12/27/2012	32.41
Local	Fifth Third Bank - Procurement Card	Administration	Supplies - Kris Larson	29.67
Local	DDA Petty Cash	Administration	Meeting expenses	29.33
Local	City Treasurer - Parking Services	Administration	Car pool vehicle usage - November 2012	28.00
Local	Fifth Third Bank - Procurement Card	Administration	Staff training materials	27.00
Local	DDA Petty Cash	Administration	Postage	22.50
Local	DDA Petty Cash	Environment/Infrastructure - Miscellaneous	Meeting expenses	20.13
Local	DDA Petty Cash	Economic Development / Retail Support	Parking - AM Bessette	4.00
Local	DDA Petty Cash	Economic Development / Retail Support	Meeting expenses	3.86

DECEMBER 2012 EXPENDITURES \$ 137,366.08

Local - Local Tax Increment Funds
Non-Tax - Non-Tax Funds

MEMORANDUM

CITY OF GRAND RAPIDS · DOWNTOWN DEVELOPMENT AUTHORITY

DATE: January 4, 2013

TO: Downtown Development Authority

FROM: Kristopher Larson, AICP 
DDA Executive Director

Agenda Item 6.
January 9, 2013
DDA Meeting

SUBJECT: FY 2012 Financial Audit

Attached to this cover letter are the documents related to the FY 2012 financial audit of the Downtown Development Authority (DDA).

These documents were prepared by BDO, the financial auditing firm under contract to prepare such analyses for the City of Grand Rapids and its component subsidiaries such as the DDA. These documents were presented to the City Commission's Committee of the Whole on December 18, 2012 as part of the presentation of the City's full financial audit.

This agenda item is procedural and evidentiary of the DDA's commitment to transparency as a public authority. No official DDA Board action is required at this time.



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200 Ottawa Avenue NW, Suite 300
Grand Rapids, MI 49503

December 18, 2012

Members of the Grand Rapids
Downtown Development Authority
Grand Rapids, Michigan

Dear Members:

Professional standards require us to advise you of the following matters relating to our recently completed audit of the Grand Rapids Downtown Development Authority (the Authority) as of and for the year ended June 30, 2012. The matters discussed herein are those that we have noted as of December 12, 2012, and we have not updated our procedures regarding these matters since that date to the current date.

Status of Our Audit

We have completed our audit of the financial statements of the Authority for the year ended June 30, 2012. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements. We have issued an unqualified opinion on the financial statements dated December 12, 2012.

Internal Control Matters

In planning and performing our audit of the financial statements of the Authority for the year ended June 30, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In conjunction with our audit of the financial statements, we did not identify any deficiencies in internal control that we consider to be material weaknesses.



Significant Findings From the Audit

Management Judgments and Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

Misstatements

Professional standards require the auditor to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Additionally we are required to communicate with those charged with governance all uncorrected misstatements. During our audit, no material corrected misstatements or unrecorded misstatements were brought to the attention of management by us.

Discussion About the Quality of Significant Accounting Practices

We have reviewed the Authority's significant accounting practices, estimates and financial statement disclosures, and determined them to be in accordance with generally accepted accounting principles.

Disagreements With Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the Authority's financial statements or the audit report. No such disagreements arose during the course of our audit.

Consultation With Other Accountants

There may be circumstances where the Authority considers consulting with other accountants about accounting and auditing matters. We are not aware of any consultations about accounting or auditing matters between management and other accountants. We are also not aware of opinions obtained by management from other accountants on the application of accounting principles generally accepted in the United States of America.

Significant Issues Discussed With Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no significant accounting or other issues of concern discussed with management.

Material Alternative Accounting Treatments Discussed With Management

During the past year, there were no discussions with management concerning material alternative accounting treatments.



Significant Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered during the course of the audit. All records and information requested by BDO were freely available for inspections. Management and other personnel provided full cooperation.

Other Information in Documents Containing the Authority's Audited Financial Statements

Our responsibility for other information in documents containing the Authority's audited financial statements does not extend beyond the financial statements identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with the applicable standards, we have read Management's Discussion and Analysis and determined that the information is materially consistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believed is a material misstatement of fact. No inconsistencies or misstatements came to our attention.

Representations Requested From Management

The management representation letter that was provided to us by management is attached for your review.

Other Issues Arising From the Audit That We Consider Significant and Relevant to Those Charged With Governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

Independence

We are not aware of any circumstances or relationships that would impair our independence.

* * * * *

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of those charged with governance and management of the Grand Rapids Downtown Development Authority and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

BDO USA, LLP



CITY OF GRAND RAPIDS

December 12, 2012

BDO USA, LLP
200 Ottawa Avenue, Suite 300
Grand Rapids, MI 49503

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of the Grand Rapids Downtown Development Authority (the Authority) as of June 30, 2012 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Authority and the respective change in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position and changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
- (2) We are responsible for adopting sound accounting policies, establishing and maintaining internal controls to, among other things, help assure the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, and preventing and detecting fraud.
- (3) We have made available to you all:
 - (a) Financial records and related data.
 - (b) Minutes of the meetings of directors, and committees of directors that were held from July 1, 2011 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (4) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (5) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

- (6) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of any:
 - (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or other professionals.
- (7) We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- (8) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
 - (a) Related-party transactions (e.g., transactions with unconsolidated subsidiaries; affiliates under common control with the Authority or that are directly or indirectly controlled by the Authority; directors, management, and members of their immediate families), including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - (c) Guarantees, whether written or oral, under which the Authority is contingently liable.
 - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275-10, *Risks and Uncertainties - Overall*. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
 - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*, including:

- Pending or anticipated tax assessments or refunds, price or profit renegotiation, other potential or pending claims, lawsuits by or against any branch of government or others;
- Written or oral guarantees, endorsements, or unused letters of credit;
- Labor claims or negotiations.

FASB ASC 450-20, *Loss Contingencies*, requires loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of net assets/balance sheet date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

(f) Commitments, such as:

- Major capital asset purchase agreements;
- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
- Deferred compensation, bonuses, pensions and profit-sharing plans, or severance pay; or

(g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.

(9) There are no:

- (a) Violations or possible violations of laws or regulations (including the failure to file reports required by regulatory bodies (e.g., EPA, OCC, FDIC, DOL, Medicare, U.S. Customs Service, HIPAA, IRS, Dept. of Commerce, state and municipal authorities) when the effects of failing to file could be material to the financial statements) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450.

(10) Receivables recorded in the financial statements represent valid claims for charges arising on or before the statement of net assets/balance sheet date and have been appropriately reduced to their estimated net realizable value.

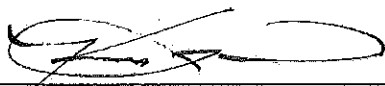
(11) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

(12) We have complied with all aspects of contractual agreements, including debt covenants that would have a material effect on the financial statements in the event of noncompliance.

- (13) No discussions have taken place with your firm's personnel regarding employment with the Authority.
- (14) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
 - Our web site, which contains the electronic financial statements, will advise the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.
- (15) We have complied with State of Michigan Public Act 621, *Uniform Budgeting Act*; Public Act 20, *Investment of Surplus Funds*; and Public Act 34, *Municipal Finance Act*. We have also complied with the Uniform Chart of Accounts issued by Michigan Department of Treasury.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of net assets/balance sheet date and through the date of this representation letter, as entered on the first page that would require adjustment to or disclosure in the aforementioned financial statements.

Very truly yours,



Kristopher Larson, Executive Director



Ruth Lueders, Deputy Comptroller

**Grand Rapids Downtown
Development Authority**
(A Component Unit of the City of
Grand Rapids, Michigan)

Financial Statements
and Supplementary Information
For the Year Ended June 30, 2012

Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Financial Statements and Supplementary Information
For the Year Ended June 30, 2012

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

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200 Ottawa Avenue NW, Suite 300
Grand Rapids, MI 49503

Independent Auditor's Report

Members of the Grand Rapids Downtown Development Authority
Grand Rapids, Michigan

We have audited the accompanying financial statements of the Grand Rapids Downtown Development Authority (the Authority), a component unit of the City of Grand Rapids, Michigan as of and for the year ended June 30, 2012. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2011 financial statements and, in our report dated November 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Grand Rapids Downtown Development Authority at June 30, 2012, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grand Rapids Downtown Development Authority. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion on it.

BDO USA, LLP

December 12, 2012

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Management's Discussion and Analysis

This section of the Downtown Development Authority's (the Authority) financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2012. This discussion has been prepared by management, along with the financial statements and related footnote disclosures, and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts.

Using the Financial Report

This financial report consists of financial statements that focus on the financial condition of the unit of government and the results of its operations as a whole. One of the most important questions asked about governmental finances is whether the unit of government as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets includes the Authority's assets, liabilities and net assets. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when levied or the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The Authority's net assets are one indicator of the Authority's financial health. Over time, increases or decreases in net assets indicate the improvement or erosion of the Authority's financial health.

Statements of Net Assets

<i>June 30,</i>	2012	2011	% Change
Assets			
Current assets	\$ 15,712,497	\$ 16,773,715	(6.33)
Noncurrent assets	1,619,787	1,689,724	(4.14)
Capital assets, net of depreciation	49,759,622	52,356,266	(4.96)
Total Assets	\$ 67,091,906	\$ 70,819,705	(5.26)
Liabilities			
Current liabilities	\$ 5,006,283	\$ 3,569,768	40.24
Noncurrent liabilities	46,137,393	48,263,224	(4.40)
Total Liabilities	51,143,676	51,832,992	(1.33)
Net Assets			
Invested in capital assets, net of related debt	22,433,201	23,995,146	(6.51)
Unrestricted	(6,484,971)	(5,008,433)	(29.48)
Total Net Assets	15,948,230	18,986,713	(16.00)
Total Liabilities and Net Assets	\$ 67,091,906	\$ 70,819,705	(5.26)

Current Assets

Equity in Pooled Cash and Investments

The City of Grand Rapids maintains an investment pool for most City funds and component units. The Authority's \$10.2 million portion of the investment pool is displayed on the Statement of Net Assets as equity in pooled cash and investments. Investments are primarily certificates of deposit and money market investments (short-term, highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less), and are carried at fair value. The fiscal year 2012 balance is lower than the fiscal year 2011 balance because revenues were lower than fiscal year 2011 and expenditures were higher.

Cash and Investments Held by Trustee

The Authority's Tax Increment Revenue Series 1994 bond covenants require that the Authority deposit in a debt service reserve fund an amount sufficient to pay the highest year's principal and interest requirements on the remaining outstanding debt. This \$5.4 million is displayed as cash and investments held by trustee on the Governmental Fund Balance Sheet/Statement of Net Assets. Minor fluctuations in the year-end balances are related to interest earned then transferred.

Receivables

The Authority's fiscal year 2012 net receivables of \$106,008 are composed of investment and long-term loan interest receivable, rent and special assessment receivable. Detailed information for fiscal year 2012 is provided in Note 4.

Noncurrent Assets

Long-Term Loan Receivable

In May 2008, the Authority loaned \$898,848 to a local developer who used the funds to purchase vacant City property at the southwest corner of Fulton Street and Division Avenue. The terms of the agreement include simple interest to be charged at 4.5% per year. Repayment of the debt begins with interest-only payments each April until 2015 when principal and interest payments commence. Debt service will be completed in 2024.

Pre-Paid Expenses

In January 2006, the Authority entered into a 15-year maintenance agreement for repairs and improvements to be made by the current owner of the Plaza Towers property for the Authority's riverwalk and Singer Sculpture between the Plaza Towers property and the Grand River.

Capital Assets, Net of Depreciation

Net capital assets of \$49.8 million include the historical acquisition costs of land, land improvements, buildings and structures, machinery and equipment, and office equipment and furniture, less \$40.6 million for accumulated depreciation. Detailed information regarding capital asset additions and deletions is available in Note 5.

Current Liabilities

Accounts Payable

June 30, 2012 accounts payable of \$4.6 million consist of expenses for goods and services received from vendors in the current year but paid in the following year, parking revenue owed to a property owner, amounts reserved in anticipation of potentially unfavorable property assessment appeal decisions, and excess tax increment captured due to school districts and the State of Michigan to be calculated using the State of Michigan Form 2604. Accounts payable as of June 30, 2012 are 40.48% higher than June 30, 2011 because the amount reserved for potential property assessment appeals within the Authority's boundaries quintupled due to a small number of large assessment appeals filed during the year.

Due to Participants

Since 2004, the Authority has entered into agreements with project developers to reimburse them for a portion of the costs associated with construction of public facilities within the Authority's development plan boundaries. The completed developments include the J.W. Marriott Hotel, the Riverhouse Condominiums, Two West Fulton, 201 Monroe Ave LLC, 68 Commerce LLC, and Hopson Flats. The amount accrued at the end of fiscal year 2012 is \$73,000 higher than fiscal year 2011 because winter 2011 reimbursements were accrued but not paid.

Noncurrent Liabilities

Noncurrent Liabilities, Due Within One Year

Noncurrent liabilities, due within one year, of \$3.8 million represent the amount of the Authority's debt service principal payments and payments of interest on capital appreciation bonds due within 12 months after June 30, 2012, and compensated absences expected to be paid within the same time frame.

Noncurrent Liabilities, Due in More Than One Year

Noncurrent liabilities of \$42.4 million represent principal and capital appreciation bond-related interest payments scheduled to be paid after June 30, 2013. The decrease in the amounts outstanding on June 30, 2012 and June 30, 2011 is due to normal payments of principal and interest on the bonds. See Note 7 for additional information.

Net Assets

Net assets represent the difference between the Authority's assets and liabilities. Total net assets at June 30, 2012 were \$15.9 million, a 16% decrease compared to total net assets at June 30, 2011.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, of \$22.4 million includes the historical acquisition costs of land, land improvements, buildings and structures, machinery and equipment, office equipment and furniture net of accumulated depreciation, and outstanding related principal. The 6.51% or \$1.5 million decrease between fiscal years 2011 and 2012 is roughly equal to the \$2.6 million decrease in net capital assets, plus the \$2.1 million difference in long-term liabilities, less the \$1 million difference in the accrued interest on the capital appreciation bonds, and less the \$135,000 amortization of the deferral on the refunding bonds. Detailed information regarding capital assets and acquisition-related debt obligations is in Notes 5 and 7.

Unrestricted Net Assets

The Authority's net assets are restricted by the requirements of Michigan Public Act 197 of 1975, as amended, which limits expenditures to those that further the Authority's development program. However, because the amount is negative, accounting principles generally accepted in the United States of America require the title Unrestricted. The \$1.5 million decrease in unrestricted net assets in fiscal year 2012 is roughly due to the \$1 million decrease in current assets and other assets, and the \$1.4 million increase in current liabilities offset by the \$1 million difference in the accrued interest on the capital appreciation bonds.

Statements of Activities

<i>Year ended June 30,</i>	2012	2011	% Change
Revenues			
Property taxes	\$ 9,587,112	\$ 9,827,034	(2.44)
Investment earnings	119,904	264,224	(54.62)
Charges for services	396,439	339,642	16.72
Contributions	-	1,136,207	(100.00)
Total revenues	10,103,455	11,567,107	(12.65)
Expenses			
Urban development	9,925,544	9,608,362	3.30
Interest and paying agent fees	3,216,394	3,483,801	(7.68)
Total expenses	13,141,938	13,092,163	0.38
Change in net assets	(3,038,483)	(1,525,056)	(99.24)
Net Assets, beginning of year	18,986,713	20,511,769	(7.44)
Net Assets, end of year	\$ 15,948,230	\$ 18,986,713	(16.00)

Revenues

Property Taxes

The Authority's revenues are generated primarily through the use of property tax increment financing in which the Authority captures ad valorem property tax and industrial facility tax revenues attributable to increases in the value of real and personal property within the district boundaries. Property tax increment revenues related to the State Education Tax, the Kent Intermediate School District and the Grand Rapids Public Schools levies are retained only in an amount sufficient to support the annual debt service for Authority eligible debt obligations outstanding when Proposal A took effect on January 1, 1995 or for debt obligations that refunded those pre-1995 eligible obligations.

Property tax increment revenues related to the City of Grand Rapids, County of Kent, Grand Rapids Community College and the Interurban Transit Partnership are used to support the Authority's development projects and debt service related to those projects. Property tax increment revenues for the year ended June 30, 2012 include property taxes levied July 1, 2011 and December 1, 2011. Property tax revenue between fiscal years 2011 and 2012 decreased 2.44%,

which reflects declined property values within the Authority's boundaries. Decreasing property values are also being experienced in the City of Grand Rapids and in the State of Michigan.

Investment Earnings

This is interest revenue earned when Authority funds are invested by the City Treasurer. The decrease in revenues between fiscal year 2012 and 2011 is related to lower average cash balances on which to earn interest.

Charges for Services

In fiscal year 2012, charges for services increased 16.72% or \$57,000. This is due primarily to reimbursements for prior year expenditures including special assessments, return of incentives related to property sales, and insurance company reimbursements for wayfinding sign repairs.

Contributions

In fiscal year 2011, the Grand Rapids - Kent County Convention/Arena Authority (the CAA) contributed \$1.1 million in capital assets to the Authority. The contribution was for the expansion of the second floor concourse on the northwest corner of the Van Andel Arena which the CAA undertook to relieve crowding in the concourse and to increase concessions points of sale space.

Expenses

Urban Development

In the fiscal year ended June 30, 2012, the Authority expended \$9.9 million for urban development work related to the Authority's Development Plan compared to \$9.6 million the prior year.

Annually, the Authority focuses on three major development areas: Economy, Environment and Experience. There were five projects in fiscal year 2012 for which expenditures were much larger than all the other projects. Below are those five projects and the amounts expended for them in fiscal year 2012.

\$ 1,327,947	Oakes Street Reconstruction - Market Avenue to Ottawa Avenue
934,268	Seward Avenue extension - south of Fulton Street
862,164	Public facility developer reimbursements - J.W. Marriott, Riverhouse Condominiums, Hopson Flats, 38 Commerce, Two West Fulton, 201 Monroe Ave, and 68 Commerce LLC
529,551	Building Reuse Incentive Program (net of reimbursements)
498,711	Grandville Avenue Reconstruction - Weston Street to Oakes Street

The five largest projects in terms of expenditures for fiscal year 2011 are below.

\$ 849,979	Purchase of shuttle buses for DASH parking program
742,144	Commerce Avenue Reconstruction - Wealthy Street to Cherry Street
721,472	Public facility developer reimbursements - J.W. Marriott, Riverhouse Condominiums, Hopson Flats, and 38 Commerce LLC
522,756	An-Nab-Awen Park improvements and riverwalk replacement
363,004	Cherry Street Reconstruction - Division Avenue to Sheldon Avenue

Interest and Paying Agent Fees

At various times, the Authority has issued bonds and other long-term obligations for the purpose of supporting development projects within district boundaries. Current debt service supports the following financed projects: construction of the Van Andel Museum Center parking ramp and partial support for the construction of the DeVos Place Convention Center, the Van Andel Arena, and improvements to floodwalls and embankments along the Grand River. Differences between the current and prior years are related to normal payments of interest and paying agent fees.

Overall Financial Position

Management believes the Authority is in good condition financially. Current tax increment revenues are adequate to cover ongoing debt service requirements and current project commitments.

Requests for Information

This financial report is designed to provide a general overview of the Downtown Development Authority finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Grand Rapids Comptroller's Department, 300 Monroe NW, Grand Rapids, Michigan 49503.

Financial Statements

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Statement of Net Assets and Governmental Fund Balance Sheet

	2012			Statement of
	Governmental	Adjustments	Statement of	Net Assets
June 30,	Fund	(Note 3)	Net Assets	2011
Assets				
Equity in pooled cash and investments	\$ 10,223,886	\$ -	\$ 10,223,886	\$ 11,301,198
Cash and Investments held by trustee	5,382,603	-	5,382,603	5,401,543
Current receivables (Note 4)	106,008	-	106,008	70,974
Long-term loan receivable	898,848	-	898,848	898,848
Pre-paid expenses	-	354,939	354,939	394,376
Other assets	-	366,000	366,000	396,500
Capital assets (Note 5):				
Non-depreciable	-	13,861,482	13,861,482	13,826,357
Depreciable	-	76,474,967	76,474,967	76,474,967
Less: accumulated depreciation	-	(40,576,827)	(40,576,827)	(37,945,058)
Total Assets	\$ 16,611,345	50,480,561	67,091,906	70,819,705
Liabilities				
Accounts payable (Note 6)	\$ 4,560,006	-	4,560,006	3,245,975
Accrued interest payable - current	-	249,290	249,290	249,490
Deferred revenue	948,848	(898,848)	50,000	-
Due to participants	146,987	-	146,987	74,303
Noncurrent liabilities (Note 7):				
Due within one year	-	3,769,712	3,769,712	3,769,413
Due in more than one year	-	42,367,681	42,367,681	44,493,811
Total liabilities	5,655,841	45,487,835	51,143,676	51,832,992
Fund Balance				
Restricted for authorized projects	6,847,054	(6,847,054)	-	-
Assigned for authorized projects	4,108,450	(4,108,450)	-	-
Total fund balance	10,955,504	(10,955,504)	-	-
Total Liabilities and Fund Balance	\$ 16,611,345			
Net Assets				
Invested in capital assets, net of related debt		22,433,201	22,433,201	23,995,146
Unrestricted		(6,484,971)	(6,484,971)	(5,008,433)
Total Net Assets		\$ 15,948,230	\$ 15,948,230	\$ 18,986,713

See accompanying independent auditor's report and notes to financial statements.

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

**Statement of Activities and Governmental Fund Revenues, Expenditures
and Changes in Fund Balance**

<i>Year ended June 30,</i>	2012		Statement of Activities	Statement of Activities 2011
	Governmental Fund	Adjustments (Note 3)		
Revenues				
Property taxes	\$ 9,587,112	\$ -	\$ 9,587,112	\$ 9,827,034
Investment earnings	119,904	-	119,904	264,224
Charges for services	396,439	-	396,439	339,642
Contributions	-	-	-	1,136,207
Total revenues	10,103,455	-	10,103,455	11,567,107
Expenditures/Expenses				
Urban development	7,200,097	2,725,447	9,925,544	9,608,362
Principal payments	1,170,876	(1,170,876)	-	-
Interest and paying agent fees	4,230,415	(1,014,021)	3,216,394	3,483,801
Total expenditures/expenses	12,601,388	540,550	13,141,938	13,092,163
Deficiency of revenues over expenditures/expenses	(2,497,933)	(540,550)	(3,038,483)	(1,525,056)
Changes in fund balance	(2,497,933)	2,497,933	-	-
Changes in net assets	-	(3,038,483)	(3,038,483)	(1,525,056)
Fund Balance/Net Assets, beginning of year	13,453,437	5,533,276	18,986,713	20,511,769
Fund Balance/Net Assets, end of year	\$ 10,955,504	\$ 4,992,726	\$ 15,948,230	\$ 18,986,713

See accompanying independent auditor's report and notes to financial statements.

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

1. Reporting Entity

The Grand Rapids Downtown Development Authority (the Authority), a component unit of the City of Grand Rapids, Michigan (the City), was created in 1979 by the City of Grand Rapids under the provisions of the State of Michigan Public Act 197 of 1975, as amended. The purpose of the Authority is to correct and prevent deterioration in business districts; encourage historic preservation; authorize the acquisition and disposal of interests in real and personal property; authorize the creation and implementation of development plans in the districts; promote the economic growth of the districts; authorize the levy and collection of taxes; authorize the issuance of bonds and other evidences of indebtedness; and authorize the use of tax increment financing.

The district was formerly bounded roughly by Interstate 196 on the north, Division Avenue on the east, Cherry and Wealthy Streets on the south and Seward Street on the west. In November 2007, the Authority approved a plan amendment that nearly doubled the Authority's development area. The new boundaries are bounded roughly by Newberry Street on the north, west of Lafayette Avenue or Prospect Avenue on the east, north of Logan Street or Wealthy Street on the south, and east of Lexington Avenue or Seward Avenue on the west. The initial property tax increment revenue capture for the expansion section was in fiscal year 2009.

2. Summary of Significant Accounting Policies

Basis of Presentation

The statement of net assets/balance sheet and the statement of activities/revenues, expenditures and changes in fund balance report information on the activities of the Authority. The adjustments column is used to reflect the conversion from the balance sheet to the statement of net assets, and the conversion of revenues, expenditures and changes in fund balance to the statement of activities.

Measurement Focus and Basis of Accounting

The Authority uses the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. The Authority considers revenues available if collected within 60 days after the end of the fiscal year; however, property tax increment revenues are recognized as revenues in the fiscal year for which the property taxes are levied. Expenditures are generally recognized when the related fund liability is incurred.

However, the statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied.

Prior Year Columns

The columns labeled statement of net assets 2011 and statement of activities 2011 are presented for information purposes only. These statements do not include the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for 2011, which

Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

are necessary for a complete presentation in accordance with generally accepted accounting principles.

Budget

In accordance with the Authority's authorizing statute, the Grand Rapids City Commission annually approves the Authority's budget after the Authority Board Members have reviewed and recommended it. After the City Commission approves the budget, the Authority adopts the budget. The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

Cash and Investments

The City maintains an investment pool for most City funds and component units. The Authority's portion of the investment pool is displayed on the balance sheet as equity in pooled cash and investments. Investments consist of certificates of deposits with original maturities of greater than three months at the date of purchase, mutual funds and commercial paper. Investments are carried at fair value. State statutes require that investments be maintained in financial institutions with offices in the State of Michigan. Interest income earned as a result of cash and investment pooling is distributed to the appropriate funds.

Investment policies and categorization of cash and investments are included in the Comprehensive Annual Financial Report of the City of Grand Rapids to give an indication of the level of risk assumed by the City at year-end. It is not feasible to allocate the level of risk to the various component units of the City.

The Authority's Tax Increment Revenue Series 1994 bond covenants require that the Authority deposit in a debt service reserve fund an amount sufficient to pay the highest year's principal and interest requirements on the remaining outstanding debt.

As of June 30, 2012, the Authority had the following cash held by a trustee:

Money Market Account	\$ 5,382,603
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Capital Assets

Tangible assets having a useful life in excess of one year, with cost in excess of \$10,000, are capitalized. Capital assets are stated at acquisition cost or fair value at the date of donation. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts.

Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Land improvements	20
Buildings, structures and improvements	20 - 30
Furniture and furnishings	3 - 30
Machinery and equipment	3 - 30

Property Taxes

The majority of the Authority's revenues are generated through property tax increment financing. Summer taxes are levied by the City on July 1 and attach as an enforceable lien at that time. Summer taxes are due without penalty on or before July 31. Winter taxes are levied on December 1 and attach as an enforceable lien at that time. Winter taxes are due without penalty on or before February 14.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or other external restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

3. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported in the statement of net assets and the statement of activities are different from amounts reported in the governmental fund because of the following:

Governmental fund total fund balances	\$ 10,955,504
Capital assets are not financial resources and, therefore, are not reported in the governmental fund balance sheet.	
Non-depreciable	13,861,482
Depreciable	76,474,967
Accumulated depreciation	(40,576,827)
Other long-term assets that are not available to pay for current period expenditures and are not reported in the governmental funds:	
Pre-paid maintenance agreement	354,939
Unamortized bond costs	366,000
Deferred revenues	898,848
Long-term liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.	
Contracts payable	(305,000)
Bonds payable	(33,805,476)
Accrued interest on bonds and contracts payable	(13,665,809)
Deferred on refunding of long-term debt	1,600,292
Bond premium	(198,840)
Compensated absences	(17,970)
Net OPEB obligations	6,120
Government-Wide Net Assets	\$ 15,948,230

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Net change in fund balances - governmental funds	\$ (2,497,933)
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The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	(2,596,644)
--	-------------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and contract principal and long-term payables is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Repayments of principal of bonds and contracts	1,170,876
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	1,014,021
Compensated absences	41,914
Amortization on maintenance agreement	(39,438)
Bond amortizations	(147,737)
Unfunded OPEB obligations	16,458

Change in Net Assets of Governmental Activities	\$ (3,038,483)
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4. Receivables

June 30, 2012

Interest receivable	\$ 35,115
Long-term loan interest receivable	40,448
Other receivables	30,445
	\$ 106,008

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

5. Capital Assets

The following table summarizes, by major class of asset, the Authority's capital asset activity:

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 13,826,357	\$ 35,125	\$ -	\$ 13,861,482
Capital assets being depreciated				
Land improvements	7,899,072	-	-	7,899,072
Buildings and structures	59,948,100	-	-	59,948,100
Machinery and equipment	5,800,255	-	-	5,800,255
Office equipment and furniture	2,827,540	-	-	2,827,540
Total capital assets being depreciated	76,474,967	-	-	76,474,967
Less accumulated depreciation for				
Land improvements	4,380,719	335,683	-	4,716,402
Buildings and structures	28,959,275	1,998,973	-	30,958,248
Machinery and equipment	3,214,858	202,861	-	3,417,719
Office equipment and furniture	1,390,206	94,252	-	1,484,458
Total accumulated depreciation	37,945,058	2,631,769	-	40,576,827
Total capital assets being depreciated, net	38,529,909	(2,631,769)	-	35,898,140
Capital Assets, net	\$ 52,356,266	\$ (2,596,644)	\$ -	\$ 49,759,622

6. Accounts Payable

June 30, 2012

Vendors	\$ 624,810
Estimated taxes due to other governments	3,431,275
Estimated taxes currently under appeal	503,921
	\$ 4,560,006

Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

7. Long-Term Liabilities

Changes in long-term liabilities were as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Bonds payable	\$ 34,855,264	\$ -	\$ 1,049,788	\$ 33,805,476	\$ 998,969
Bond premium	215,410	-	16,570	198,840	-
Accrued interest on capital appreciation bonds	14,430,340	1,546,391	2,560,212	13,416,519	2,721,031
Contracts payable	426,088	-	121,088	305,000	38,750
Compensated absences	59,883	-	41,913	17,970	10,962
Net OPEB obligations	10,338	-	16,458	(6,120)	-
	49,997,323	1,546,391	3,806,029	47,737,685	3,769,712
Less: deferred on refunding	(1,734,099)	-	(133,807)	(1,600,292)	-
Total	\$ 48,263,224	\$ 1,546,391	\$ 3,672,222	\$ 46,137,393	\$ 3,769,712

Long-term bonds and contracts consist of the following:

1994 Downtown Development Authority Tax Increment Revenue Bonds, interest rates ranging from 7.25% to 7.35%, with various amounts maturing through 2019.	\$ 5,375,476
2008 Kent County Drain Commission Contract Payable, interest rates ranging from 3.25% to 4.25%, with various amounts maturing through 2020.	305,000
2009 Downtown Development Authority Tax Increment Revenue Refunding Michigan Municipal Bond Authority Bonds, interest rates ranging from 4% to 5.499%, with various amounts maturing through 2024.	28,430,000
	\$ 34,110,476

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

The annual requirements to pay principal and interest on long-term obligations outstanding are as follows:

Bonds payable:

<i>Year ending June 30,</i>	Principal	Interest
2013	\$ 998,969	\$ 4,205,556
2014	929,047	4,270,478
2015	921,247	4,558,278
2016	857,487	4,622,038
2017	1,119,572	4,689,953
2018 - 2022	19,054,154	9,995,270
2023 - 2024	9,925,000	798,788
	\$ 33,805,476	\$ 33,140,361

Contracts payable:

<i>Year ending June 30,</i>	Principal	Interest
2013	\$ 38,750	\$ 10,582
2014	40,500	9,294
2015	42,000	7,901
2016	44,250	6,391
2017	46,500	4,687
2018 - 2021	93,000	5,562
	\$ 305,000	\$ 44,417

The series 1994 bond issue for the Van Andel Arena contains \$5,375,476 of capital appreciation bonds, upon which interest is not paid until the bonds mature. The original amount of capital appreciation bonds was \$9,895,720. Starting in 2009, maturities of \$4,520,244 have been paid. These bonds appreciate in value to \$24,260,000.

8. Lease Commitments

In 1993, the City County Building Authority (CCBA) issued bonds for the purpose of defraying the cost of constructing a new public parking facility near the Van Andel Museum Center. Debt service for these CCBA bonds is supported solely from the Authority's semi-annual rental payments and will be completed in January 2014. The principal amount outstanding as of June 30, 2012 is \$515,000.

In 2003, the City County Building Authority concurrently issued \$5,000,000 Series 2003A and \$5,000,000 Series 2003B bonds for the purpose of defraying, in part, the cost of constructing the DeVos Place riverfront convention center facility on Monroe Avenue. Debt service for the Series 2003A bonds is supported by the County of Kent's semi-annual rental payments and will be completed in December 2023. Debt service for the Series 2003B bonds is supported by the Authority's semi-annual rental payments and will also be completed in December 2023. The

Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Authority's debt-financed project contribution on behalf of the DeVos Place project was supplemented by an additional \$5 million cash contribution early in fiscal year 2004. The amount of Series 2003B principal outstanding for which the Authority is responsible as of June 30, 2012 is \$3,430,000. Future lease payments are as follows:

	Van Andel Museum Center Ramp	DeVos Place Convention Center
2013	\$ 269,500	\$ 385,763
2014	271,625	386,562
2015	-	386,963
2016	-	386,962
2017	-	385,238
2018 - 2022	-	1,885,475
2023 - 2024	-	742,406
	\$ 541,125	\$ 4,559,369

9. Contingencies

The City is currently involved in various property tax appeals. The outcomes of the individual appeals are not predictable with reasonable assurance, and it is reasonably probable that some of these matters may be decided unfavorably to the City. The Authority may be liable for certain property tax refunds related to these appeals. Based on the opinion of the City Assessor, the estimated outcomes have been provided for in the financial statements.

The Authority is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority.

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Supplementary Information

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Grand Rapids Downtown Development Authority
(A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Current and Ongoing Projects (Unaudited)

Current and Ongoing Projects

The Authority captures property tax increment revenues from two sources: local tax increments and school tax increments. Local tax increment (LTI) revenues are derived from millages assessed by the City of Grand Rapids, the County of Kent, the Interurban Transportation Partnership, and the Grand Rapids Community College. School tax increment (STI) revenues are related to the State Education Tax millage, the Grand Rapids Public Schools operating and debt millages, and the Kent Intermediate School District millages. State law restricts the Authority's use of STI revenues for payment of debt service and other eligible obligations in existence prior to January 1, 1995 and for debt obligations which refunded those pre-1995 eligible obligations. Non-tax revenues include interest on investments and rental and parking revenues generated by facilities owned by the Authority.

In summer 2010, the Authority launched a planning process to evaluate its role in catalyzing revitalization in downtown Grand Rapids. Drawing on input from the community, the Authority's planning task force defined a collective vision for downtown; framed and prioritized ideas and projects that align with and enhance the collective vision; and began building leadership around three goals - economic development, environment/infrastructure, and the downtown experience. The 2011 Framework Plan development process created an action agenda for downtown Grand Rapids. The Framework Plan was approved in February, 2011 and was the basis for the Authority's fiscal year 2012 - 2016 priority planning process and beyond. Projects and initiatives have been prioritized to ensure the Authority's investments provide strategic support to projects and initiatives meeting the criteria established by the Framework.

The Authority's development projects described below are funded with LTI or non-tax increment revenues. Each applies to at least one of the three Framework Plan goals - Economic Development, Environment/Infrastructure, or the Downtown Experience. The primary goal is noted after each project name.

Accessibility and Mobility Improvements - Environment/Infrastructure

The Authority is committed to accessibility for all downtown workers and customers, and is working to implement the accessibility improvements recommended by Disability Advocates of Kent County (DAKC) in September 2006. The goal of the Authority-commissioned audit was to identify and address barriers that prevent people from accessing streets, sidewalks, open spaces and facilities. Removal of barriers identified in the DAKC audit will make downtown more accessible for people with disabilities, and will expand opportunities to attract conventions and conferences that focus on disability issues.

Acquisition and Development of Ionia and Logan Properties - Economic Development

Grand Action, a non-profit organization created to benefit the Grand Rapids area, researched the possibility of creating a farmers market to be located in or near downtown Grand Rapids. The study determined that the Authority's property on Ionia Avenue between Logan Street and Wealthy Street SW is the best location due to its location near socio-economically diverse residential neighborhoods and within easy access of U.S. Highway 131. The Authority is supporting this project with Grand Action in conjunction with the City's Brownfield Redevelopment Authority.

Grand Rapids Downtown Development Authority
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Schedule of Current and Ongoing Projects (Unaudited)

Ah-Nab-Awen Riverwalk - Environment/Infrastructure

The pedestrian walkway in Ah-Nab-Awen Park, along the Grand River, was deteriorated due to age and damage caused by winter ice dams and spring floods. The Authority approved funding for correction to the walkway to eliminate or significantly reduce potential for future damage. Improvements to the Ah-Nab-Awen Park stage and electrical systems were also part of this project, which is now completed.

ArtPrize Support - The Downtown Experience

In September 2009, a new public art competition swept through downtown Grand Rapids. ArtPrize is a "radically open" art competition that awarded \$360,000 in prizes to winning artists selected by the general public in 2012 and \$200,000 to artists selected by a jury of art experts. Since the creation of ArtPrize, more than 150,000 people annually visit downtown Grand Rapids during the three-week event to look at thousands of pieces of art, then vote for their favorites. The Authority agreed to be a sponsor for the 2009 inaugural event and has continued to support this innovative event.

Building Reuse, Areaway Removal and Streetscape Incentives - Economic Development

These programs were established to provide incentives, via expenditure reimbursements, to businesses and other organizations initiating development projects within the Authority boundaries for the purpose of achieving "public purpose" objectives such as providing access for the disabled, meeting certain code requirements, improving public sidewalks, and restoring the facades of historic structures. During fiscal year 2011, the goals of the building re-use incentive program were expanded to include signage and façade improvements for retail storefronts. There were several such incentives issued in fiscal year 2012.

DASH Parking and Mobility Program - Environment/Infrastructure

The Authority continues to play a role in the acquisition of land and its development for use as parking, transit and mobility improvements when these projects would not occur without Authority assistance. In prior fiscal years, the Authority provided partial funding for replacement Downtown Area Shuttle (DASH) buses to facilitate worker and visitor movement between the district's workspaces, attractions and parking areas. These DASH buses connect the district's peripheral parking lots to the downtown core.

Development Project Reimbursements - Economic Development

The Authority has agreed to provide partial reimbursement of project-related property tax increment revenues to project developers in amounts not to exceed the cost of constructing public facilities associated within the development project. In fiscal year 2012, reimbursements were paid to the developers of the J.W. Marriott Hotel/HP3, Riverhouse Condominiums, Hopson Flats LLC, 38 Commerce LLC, 201 Monroe LLC, and 68 Commerce LLC projects. Reimbursements are issued upon completion of the development project and staff verification of eligible expenditures and only after payment of annual property tax assessments and special assessments owed for the property has been verified.

Grand Rapids Downtown Development Authority (A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Current and Ongoing Projects (Unaudited)

Downtown Marketing - The Downtown Experience

In 2004, the State of Michigan provided funding, and the Authority provided matching funds, to develop an Arts and Entertainment Strategy for downtown. A consulting team led by Urban Marketing Collaborative developed consensus for this new strategy and prepared an action plan for adoption. Beginning with fiscal year 2008, the Authority has annually budgeted funds for implementation of the action plan which includes downtown marketing, retail retention and public information projects.

Grand River Restoration and Urban Recreation Improvements - Environment/Infrastructure

One of the findings of the Green Grand Rapids Community Planning Project was that the public is interested in using the Grand River and downtown for recreational activities. In response to this input, the Authority budgeted funds in fiscal years 2012 through 2015 to determine what types of activities are possible, what changes are necessary, the costs of those changes, and whether funding sources are available to support those changes.

Infrastructure Improvements - Environment/Infrastructure

The continuing development of downtown is dependent upon continuing investment in infrastructure. The Authority has supported, and proposes to continue to support, these improvements by providing financial assistance. Current and future infrastructure projects include bicycle-friendly improvements, underground electrical and communications conduits, alley improvements and snowmelt system enhancements.

Lyon Square Reconstruction - Environment/Infrastructure

With the opening of the DeVos Place Convention Center, the square where Lyon Street NW ends above the Grand River is receiving increased attention and usage now that pedestrians and vehicles use it to access the underground DeVos Place Convention Center parking facility. The Authority was approached by a group of concerned citizens who had hired a nationally known urban planner to look at the 30-year-old Lyon Square area and recommend changes. Upon review of the proposed changes, the Authority asked staff to work with the group and approved funding the project for fiscal years 2014 and 2015.

Pedestrian Safety for Ticketed Events - The Downtown Experience

Van Andel Arena and the DeVos Place Convention Center draw thousands of visitors downtown for ticketed events such as sporting events, cultural performances, conventions and trade shows. The increased amount of vehicle and pedestrian traffic on downtown streets results in concerns regarding pedestrian safety immediately prior to and following these ticketed events. To reduce these concerns, the Authority uses non-tax increment funds to partially reimburse the City for the costs of overtime incurred by the Grand Rapids Police Department to provide event-related vehicle and pedestrian safety direction and enforcement. The remaining portions of the event-related police overtime costs are reimbursed by the Grand Rapids - Kent County Convention/Arena Authority and the Grand Rapids Parking Services Department.

Grand Rapids Downtown Development Authority

(A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Current and Ongoing Projects (Unaudited)

Project and Fixed Asset Maintenance - The Downtown Experience

The Authority financed, in large part, the installation of lighting on downtown bridges, the installation of commemorative signage, the riverfront walkways and boardwalks, street-side trees, and the Singer-designed sculpture located along the river edge walkway. The Authority also owns real property on Ionia, Logan and Winter streets which periodically require repairs and maintenance. Using non-tax increment funds, the Authority supports the annual maintenance costs of these assets.

Public Safety Improvements - The Downtown Experience

The success of recent downtown improvement programs attracts many people. One of the priorities identified in the 2011 Framework Plan is support for changes to improve the perceived safety of downtown visitors and workers. At the recommendation of the Experience Action Group, the Authority has appropriated funds to study, evaluate and implement potential changes so downtown will continue to be a safe place for everyone.

Public Transit Millage Projects - Environment/Infrastructure

The Authority has agreed, on an ongoing basis, to restrict expenditure of tax increment revenues captured as a result of the Interurban Transit Partnership (ITP) millage to transit-related projects within the district. In prior years, the Authority facilitated the construction of the ITP's Surface Transportation Center by transferring Authority-owned land and assisting with development costs. The Authority also provided financial support, beyond the amount of ITP tax increment revenues captured, for the relocation of an underground conduit bank. In fiscal year 2008, ITP-related tax increment revenues were used to support ITP's share of work on the Grandville Avenue reconstruction project. In fiscal years 2009 and 2010, the Authority used the revenue to partially support improvements to the ITP's Surface Transportation Center. Fiscal year 2012 increments were used to provide partial funding for the new Amtrak station property purchase and for design and construction of the station building.

Retail Initiatives - Economic Development

Another priority identified in the 2011 Framework Plan is support for increasing the number of retail businesses within the Authority's boundaries. In addition to the retail development support provided by the Authority's downtown retail specialist staff member, the Framework Plan identified the need for a downtown retail merchandising plan to identify specific steps to take. The Framework Plan also recommended the creation of a retail support program to support fledgling businesses. The Authority has appropriated funds for both programs.

Rosa Parks Circle Ice Skating Operations - The Downtown Experience

Using non-tax increment revenues, several years ago the Authority embarked on a new type of began co-sponsoring funding for ice skating operations at the Rosa Parks Circle Park outdoor rink. This popular and affordable program draws a diverse group of participants. The Authority continued its co-sponsorship for fiscal year 2012 and has included the program in future non-tax increment priority plans.

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Schedule of Current and Ongoing Projects (Unaudited)

Rosa Parks Circle Modifications and Statue - The Downtown Experience

With the completion of the new Grand Rapids Art Museum building, modifications have now been made to the Maya Lin-designed park, "Ecliptic," in Rosa Parks Circle, directly in front of the Art Museum entrance. These changes include the addition of restroom facilities as part of the ice skating warming area and replacement of gravel with composite materials in the walkways. The Authority also provided partial support for a statue commemorating civil rights activist Rosa Parks with the final payment being made in fiscal year 2012.

Special Events - The Downtown Experience

When the City eliminated non-mandatory expenditures from its General Fund budget, the eliminations included downtown special events funding. Attempts by the City to require reimbursement from event organizers using City staff and equipment resulted in the cancellation of several festivals. The Authority has determined that these types of special events are important to the vitality and economic success of downtown Grand Rapids because, for many area residents, participation in the downtown festivals is often their first exposure to downtown Grand Rapids. Fiscal year 2007 was the first year in which the Authority provided partial support, using non-tax increment revenues, for the newly created and funded "Office of Special Events." The Authority currently expects to continue to provide operating support for fiscal year 2013 but anticipates reducing support to include only specific events recommended by the Downtown Experience Action Group in the future.

Street and Streetscape Improvements - Environment/Infrastructure

The Authority provides substantial financial support to street and streetscape improvements. Many of these projects are financed with a combination of City, State of Michigan and federal funds in addition to Authority funds. Current projects are:

- Cherry Street Phase 2 - Commerce Avenue to Division Avenue
- Fulton Street - Division Avenue to the Grand River
- Grandville Avenue Phase 3 - Weston Street to Oakes Street
- Ionia Avenue Phase 7 - Louis Street to Fountain Street
- Oakes Street Phase 1 - Market Avenue to Ottawa Avenue
- Pearl Street Bridge Capital Repairs
- Seward Avenue Extension South of Fulton
- Sixth Street Bridge Capital Repairs

For the above projects, Authority funds support adding or replacing underground utilities, adding bicycle lanes and/or bicycle access "sharrows," repairing street surfaces, and constructing adjacent streetscape improvements. The Authority anticipates providing future financial assistance for additional street improvements in downtown as needed.

Traffic Circulation and Parking Plan - Environment/Infrastructure

There has been a great deal of private and private investment within and adjacent to the Authority's boundaries in recent years which has resulted in changes to the uses and types of users moving in and through downtown. In prior fiscal years, the Authority hired consultants to analyze multi-modal access patterns in the district including traffic movement for motorized and non-

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Schedule of Current and Ongoing Projects (Unaudited)

motorized users, transit and shuttle services, and complete streets analysis. For fiscal years 2013 and 2014, funds have been appropriated to implement the recommended changes.

Wayfinding Signage Programs - The Downtown Experience

The Authority contracted for the design, fabrication and installation of a directional roadway signage system to assist motorists and pedestrians in locating significant attractions and public facilities within district boundaries. The fabrication and installation work was completed in fiscal year 2006. Ongoing maintenance of the signs is funded via the Authority's non-tax increment funds.

In fiscal year 2008, the Authority approved the creation of two additional wayfinding programs. Both programs are in response to concerns expressed by downtown businesses and workers, as well as by convention guests. The first is a wayfinding system for the indoor skywalk through which convention guests and downtown workers may walk from the DeVos Place Convention Center to the Van Andel Arena without going outdoors. The second wayfinding system is proposed to help downtown guests and workers find and use the walkways along the banks of the Grand River. Work on both systems is expected to re-commence in fiscal year 2013.

Miscellaneous Projects

During fiscal year 2012, the Authority participated in a number of smaller projects related to its mission such as implementing other Framework Plan priorities, sponsorship of Experience Grand Rapids' Restaurant Week, public safety improvements, etc.

The Authority also supports, when necessary, the operation of the Monroe Center snowmelt system using non-tax increment funds. In fiscal year 2012, snowmelt energy cost funds were budgeted but not used. Most snowmelt operating costs are paid by the Downtown Improvement District (DID); the Authority pays for energy costs only when they exceed the DID's annual budget for those costs.

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Future Commitments (Unaudited)

Future Commitments

The Authority captures property tax increment revenues from two sources: local tax increments and school tax increments. Local tax increment (LTI) revenues are derived from millages assessed by the City of Grand Rapids, the County of Kent, the Interurban Transportation Partnership, and the Grand Rapids Community College. School tax increment (STI) revenues are related to the State Education Tax millage, the Grand Rapids Public Schools operating and debt millages, and the Kent Intermediate School District millages. State law restricts the Authority's use of STI revenues for payment of debt service and other eligible obligations in existence prior to January 1, 1995 and for debt obligations which refunded those pre-1995 eligible obligations. Non-tax revenues include interest on investments and rental and parking revenues generated by facilities owned by the Authority.

In summer 2010, the Authority launched a planning process to evaluate its role in catalyzing revitalization in downtown Grand Rapids. Drawing on input from the community, the Authority's planning task force defined a collective vision for downtown; framed and prioritized ideas and projects that align with and enhance the collective vision; and began building leadership around three goals - economic development, environment/infrastructure, and the downtown experience. The 2011 Framework Plan was approved in February 2011 and was the basis for the Authority's fiscal year 2013 - 2017 priority planning process and beyond. Projects and initiatives have been prioritized to ensure the Authority's investments provide strategic support to projects and initiatives meeting the criteria established by the Framework.

The following projects are in the Authority's five-year priority plan for work that is expected to begin after June 30, 2012. These projects will be funded with LTI or non-tax increment revenues. Each aligns with at least one of the three Framework Plan goals - Economic Development, Environment/Infrastructure, or the Downtown Experience. The primary goal is noted after each project name.

Capital Repairs for Downtown Bridges - Environment/Infrastructure

The Authority has budgeted funds for capital repairs to the Grand Rapids/Indiana Railroad Pedestrian Bridge, also known as the "blue bridge." The repairs were recommended as the result of a study coordinated by the City Engineer. Work will commence on the deck, structural supports and railings in fiscal year 2013. Capital repairs are also being made to other bridges within the district.

Crescent Street Connector - Environment/Infrastructure

Medical Mile construction is completed on Michigan Street east of downtown and now has the highest daily population concentration in the City. For thousands of students, employees and visitors, there is neither inviting connectivity nor a pleasant walking experience from the Medical Mile to downtown businesses, and retail, convention and residential amenities. The Authority has prioritized funding for a study to recommend streetscape and intersection improvements. The study will include Crescent and Bostwick Streets; Division, Ionia, Ottawa and Monroe Avenues; Calder Plaza; and the Grand Rapids Community College pedestrian plaza.

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Future Commitments (Unaudited)

Development Support - Economy, Environment and Experience Action Groups

Funds are allocated annually to enable the Authority to assist with private and public projects that fall within the "public purpose" criteria of state law, and would help to accomplish the developmental objectives of the Authority. As recommended by the Authority's 2011 Framework Plan, development support has been sub-divided into three action goals. The Economy Action Group advises the Authority on programs and projects that are intended to promote downtown economic development. The Environment Action Group focuses on improving the physical environment of downtown. The Experience Action Group provides direction regarding increasing the number of visitors to downtown.

Michigan Street/Ottawa Avenue Gateway Improvements - Environment/Infrastructure

The Authority anticipates partial funding for improvements to the main entryway from Interstate 196 into downtown Grand Rapids. Proposed improvements include landscaping, signage and pedestrian amenities.

Monroe Center Phase 3 and Veterans Park Improvements - Environment/Infrastructure

The Authority has committed to improve the easternmost section of Monroe Center, which has the design aspects and worn out features of the original Monroe Center installed in the 1980's. Veteran's Park is immediately to the east of Monroe Center. Funds for park repairs and improvements will be advanced by the Authority which will be reimbursed from Brownfield Redevelopment Authority tax increment revenues resulting from the condominium development in the former YMCA building across the street from Veteran's Park.

River Edge Project - Environment/Infrastructure

The Authority has committed to installing river edge walkways along and/or suspended above both banks of the Grand River from Interstate 196 on the north to U.S. 131 on the south end of the district. Funds have been approved for fiscal years 2015 and 2016 for the walkway south of Fulton Street.

Streetscape Improvements - Environment/Infrastructure

The Authority provides substantial financial support to street and streetscape improvements. Many of these projects are financed with a combination of City, State of Michigan and federal funds in addition to Authority funds. Anticipated projects include:

- Bostwick Avenue - Lyon Street to Crescent Street
- Jefferson Avenue - Cherry Street to Fulton Street
- State Street - Jefferson Avenue to Lafayette Avenue
- Wealthy Street - U.S. 131 to Division Avenue

For the above projects, Authority funds support adding or replacing underground utilities, adding bicycle lanes and/or bicycle access "sharrows," repairing street surfaces, and constructing adjacent streetscape improvements. The Authority anticipates providing future financial assistance for additional street improvements in downtown as needed.

Voices and Visions Program - The Downtown Experience

The Voices and Visions planning process included a variety of recommendations for the downtown district. The Authority has reserved funds for the implementation of these recommendations.

MEMORANDUM

CITY OF GRAND RAPIDS · DOWNTOWN DEVELOPMENT AUTHORITY

DATE: January 4, 2013

TO: Downtown Development Authority

FROM: Kristopher Larson, AICP 
DDA Executive Director

**Agenda Item 7.
January 9, 2013
DDA Meeting**

SUBJECT: Request for contract authority for South Arena Visioning Plan

Background:

On October 10, 2012, the Downtown Development Authority (DDA) Board provided the DDA Executive Director with the authority to compose and issue a request for proposals (RFP) related to a South Arena Area Visioning plan. Contingent upon that authority, the DDA Board requested that the DDA Economy Action Group (DDA EAG) have an opportunity to review and comment upon the RFP before its issuance. As discussed at the Oct 10 meeting, the \$50,000 of funding for the visioning plan will be coded to the Economic Development / Retail Recruitment line item within the Economy section of the DDA budget and priority plan.

At its November 28, 2012 meeting, the DDA EAG reviewed the South Arena Area Visioning RFP that described, in detail, the DDA's desire to build a process that engages community stakeholders in defining a vision for developing the public-controlled lands in a manner that maximizes placemaking opportunities, the Downtown mobility network, connectivity with near and adjacent activity centers, and other urban design considerations. At that meeting, the DDA EAG offered suggestions to modify the potential steering committee members and include a preference for proposals that with fewer expenses directed to travel and lodging for out-of-town consultants. The final RFP, issued on November 30, 2012, incorporated those suggestions.

Following the issuance of the RFP, DDA staff assembled a proposal review committee consisting of partners and stakeholders within the Arena South area. Participating members of the proposal review committee included, in no particular order, representatives from the Planning and Parking Services Departments of the City of Grand Rapids, DDA staff, The Rapid, The Downtown Market, The Right Place, and Dwelling Place of Grand Rapids, Inc. Representatives from the Convention and Arena Authority, the DDA EAG, and local business owners were also invited to participate on the committee, but logistical conflicts limited their ability to participate. At the close of the proposal acceptance deadline, three firms submitted proposals.

In advance of the proposal review committee meeting, each participating member was asked to review and rate the individual proposals using criteria that evaluated experience with small area urban design in a downtown setting, knowledge of local development practices, economic impact scenarios, the adequacy and creative integration of proposed public participation methodology, the reasonableness of proposed fees, the percentage of the project dedicated to the development of project deliverables, project involvement by firm principals, and alignment with the proposed timeline included within the RFP.

At the review committee meeting, members reviewed the composite scores and contributed qualitative insight regarding the proposals and their respective teams. The review committee recommended the team consisting of Cornerstone Architects, Viridis Design, and Williams & Works. With contract authorization from the DDA Board, the DDA Executive Director will negotiate and finalize the project scope and associated fees and enter into a contract with the aforementioned team.

Following the contract execution, DDA staff and their consultants will immediately begin assembling a project steering committee that will consist of members from the proposal review committee plus others from the community. The timeline of the project is currently envisioned to conclude in April 2013, whereby the consulting team will present the DDA Board with the outcomes of the public participation process and an ideal development strategy that can guide decision making about disposition and investment opportunities.

Last, the South Arena Visioning plan is also tied to several key programmatic goals from the DDA's Framework Plan, including: directing focus to the "Commerce Street neighborhood", identifying opportunities to effect a thriving retail neighborhood, encouraging residential and mixed-use development, expanding accessibility and connections, and potentially enhancing and expanding an area rich with experiential opportunity.

Recommendation:

The DDA Board provides the DDA Executive Director with authorization to enter into a consulting contract with Cornerstone Architecture as the lead agency for the South Arena Area Visioning Plan.