

**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING AGENDA**

DATE: September 17, 2018

TIME: 3:00 p.m.

PLACE: Community Room, City Hall

I. CALL TO ORDER

II. ROLL CALL

III. ADOPTION OF AGENDA

- Changes or additions
- Recommended motion: Adopt

IV. MINUTES – August 20, 2018

- Edits or additions
- Recommended motion: Approve

V. FINANCIAL REPORT –

- 2 MILL and TIF August 2018
- TPM July 2018
- Discussion and questions
- Recommended motion: Accept

VII. PUBLIC HEARING

- A. DDA Redevelopment Liquor License Request (attached items)
Water Street Coffee Joint, 315 E. Water Street

VII. DISCUSSION ITEMS

- A. Downtown Report
 - DEGA update

VIII. COMMITTEE REPORTS (Time Permitting)

- A. Transportation, Parking, & Mobility
- B. Capital Improvements
- C. Project Review
- D. Citizens Council
- E. Safety

IX. DIRECTOR COMMENTS

X. PUBLIC COMMENTS

XI. ADJOURNMENT

The Downtown Development Authority exists to correct and prevent deterioration in the downtown district; to encourage historical preservation; to create and implement development plans in the district; and to promote the economic growth of the district.

DOWNTOWN DEVELOPMENT AUTHORITY
MEETING PROCEDURES

1. A person may speak on “Action or Discussion” items on the Downtown Development Authority’s agenda. The Chairperson will ask for people’s comments as each of these agenda items are discussed.
2. To address the Downtown Development Authority, please clearly state your name and business or home address for the record so that a response to your inquiry can be completed if necessary. Please limit your comments to four minutes.
3. Comments on non-agenda items are reserved for “Public Comments” agenda item prior to adjournment of the meeting.
4. Out of respect for business being conducted during the meeting, please turn off all cell phones and pagers prior to the start of the meeting.

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**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING MINUTES
AUGUST 20, 2018**

PRESENT: Jeff Breneman, Patti Owens, Greg Taylor, Bob Miller, Susan Lindemann, Andrew Haan, Bjorn Green, Grant Fletcher, Stephanie Hinman, Mayor Bobby Hopewell

ABSENT: Carl Brown, Ryan Wieber

OTHER: Andy Wenzel

I. CALL TO ORDER

DIRECTOR TAYLOR CALLED THE MEETING TO ORDER AT 3:00 P.M.

II. ROLL CALL

III. ADOPTION OF AGENDA

DIRECTOR MILLER MOVED TO ADOPT THE AGENDA. DIRECTOR OWENS SECONDED. MOTION CARRIED.

IV. MINUTES – July 16, 2018

DIRECTOR OWENS MOVED TO APPROVE THE JULY 16, 2018 MINUTES. DIRECTOR LINDEMANN SECONDED. MOTION CARRIED.

V. FINANCIAL REPORT –

Deb Houseman provided a brief overview of the 2 MILL and TIF July 2018 and TPM June 2018 financial reports. Revenues exceed expenditures this month by \$36,991.25. Year-to-date revenues exceed expenditures \$53,691.47.

There was discussion about reformatting the financial report and staff agreed to explore options.

Executive Director Haan noted that given the construction and development projects taking place downtown, the decline in parking enforcement revenues follows what is expected.

DIRECTOR OWENS MOVED TO APPROVE THE 2 MILL AND TIF JULY 2018 FINANCIAL REPORT AND THE TPM JUNE 2018 FINANCIAL REPORT. DIRECTOR MAYOR HOPEWELL SECONDED. MOTION CARRIED.

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VI. PRESENTATION

Director Haan introduced Andy Wenzel of Plazacorp to speak on the United Lot Project. A two-story expansion is planned. Originally Plazacorp considered expanding east, but found it would run into the creek adding considerable time, work and cost to the expansion. The expansion would eliminate some parking. Plazacorp is requesting termination of the easement agreement on the lot to move forward with the expansion. He noted that PlazaCorp has spoken with consultants who have programmed ACFP before and they have indicated there are alternate options for festival staging and vendor parking.

Director Taylor asked about the timeline for the project. The project will begin at the end of October/beginning of November.

Director Haan said that he is supportive of the project and recommends approval of the termination of the easement agreement.

Director Taylor asked Michael O'Connor if there are any other legal or historical considerations to take regarding the termination of the easement on United Lot. He said that DDA and DTI are involved in this easement agreement.

Director Owens noted that terminating the agreement will allow for the retention of a major employer in downtown.

Director Breneman said that he is supportive of the termination of the easement agreement.

VII. ACTION ITEMS

A. Termination of easement on United Lot

DIRECTOR BRENEMAN MOVED TO AUTHORIZE DIRECTOR HAAN TO TERMINATE THE EASEMENT AGREEMENT ON THE UNITED LOT. DIRECTOR MILLER SECONDED. MOTION CARRIED. DIRECTOR GREEN ABSTAINED.

B. Set Public Hearing for DDA Redevelopment Liquor License – Water Street Coffee Joint

Director Breneman asked about the pedestrian signs at the corner of Water Street and Pitcher Street. Executive Director Haan noted that this intersection is scheduled for reconstruction, with pedestrian improvements to be included.

DIRECTOR MILLER MOVED TO SET THE DATE FOR PUBLIC HEARING AT SEPTEMBER 14, 2019 DDA BOARD MEETING. DIRECTOR LINDEMANN SECONDED. MOTION CARRIED.

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VII. DISCUSSION ITEMS

A. Downtown Report

Director Haan provided a brief overview of the August 2018 Downtown Report. He highlighted the following topics from the report:

- DEGA – Support, timeline, etc.
- Branding – DKI has developed a brand with branding consultant Arnett-Muldrow that will be released in fall 2018.
- Parking Plan – Nelson-Nygaard held a kickoff meeting on August 17. They will return in the fall for data and counts.
- Jurisdictional transfer of the state roads – work continues and hope to have that completed in November.
- Working with the City to invest the Foundation for Excellence funds to move forward with infrastructure projects.

Director Mayor Hopewell asked about the progress on Bates Alley. Director Haan noted that the process moves forward with parklets to be built and a street mural to be completed.

Tom Shuster provided an overview of the Profit Mastery workshop and his experience as a past participant. He said that the two-day seminar is geared toward small business owners and covers a variety of topics.

Director Miller asked for clarification on the pricing of the Profit Mastery program and how many can sign up. Tom Shuster replied that the cost for downtown Kalamazoo businesses is \$150 and there are 25 seats available.

VIII. COMMITTEE REPORTS (Time Permitting)

- A. **Transportation, Parking, & Mobility** – Director Haan said that moving the parking plan forward is the focus.
- B. **Capital Improvements** – No report given.
- C. **Project Review** - No report given.
- D. **Citizens Council** - No report given.
- E. **Safety** - No report given.

IX. DIRECTOR COMMENTS

Director Haan extended thanks to Tom Shuster for his continued community outreach regarding the Profit Mastery financial management workshop.

Director Owens encouraged involvement in City Commission at all times not just when there is a controversial issue present.

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Director Breneman thanked DKI staff for hard work in downtown and with the proposed Downtown Economic Growth Authority.

Director Mayor Hopewell noted that the City administration and Commission has taken on the goal of decriminalizing what they can within the City ordinances. This includes changing some things from a misdemeanor to a civil infraction. Proposed changes to park ordinance to reviewed at City Commission August 20, 2018 would see 14 of the 20 rules are decriminalized, with clarification and specificity provided to several as well. It was noted that there has been some confusion regarding what the City is doing, but the changes proposed to the ordinance deal with a variety of issues within the parks including camping out, destruction of property, impeding pedestrian flow, etc. He said the City is doing its best to balance the needs of all users.

Director Miller thanked Director Mayor Hopewell and City Commission for taking on challenging issues in the City. He also noted that WMU is gearing up for the beginning of the year.

Director Taylor congratulated Director Owens on the Lot 9 development.

X. PUBLIC COMMENTS – None.

XI. ADJOURNMENT

DIRECTOR TAYLOR ADJOURNED THE MEETING AT 3:53 P.M.

The Downtown Development Authority *exists to correct and prevent deterioration in the downtown district; to encourage historical preservation; to create and implement development plans in the district; and to promote the economic growth of the district.*

2018 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM									
2 MILL AND TIF - AUGUST 31, 2018									
TPM - JULY 31, 2018									
TOTAL DDA									
	MONTH TO	MONTHLY	MONTHLY		YTD	YEAR TO	YTD		
	DATE ACTUAL	BUDGET	VARIANCE		ACTUAL	DATE BUDGET	VARIANCE	2018 BUDGET	
			A				A		
								DKI	
REVENUES:									
	2 MILL LEVY CURRENT YEAR	\$105,282.51	\$22,103.08	(83,179.43)	\$194,555.09	\$176,824.67	(17,730.42)	\$265,237.00	
	2 MILL LEVY PRIOR YEAR(S)	\$0.00	\$416.67	416.67	\$1,964.47	\$3,333.33	1,368.86	\$5,000.00	
#1	INTEREST	\$62.58	\$93.33	30.75	\$609.18	\$740.83	131.65	\$1,120.00	
#2	MISC	\$0.00	\$127.50	127.50	\$1,617.64	\$1,020.00	(597.64)	\$1,530.00	
	LIQUOR LICENSE FEES	\$0.00	\$0.00	0.00	\$425.00	\$0.00	(425.00)	\$0.00	
	STATE OF MICH. PERSONAL PROPERTY TAX REIMB.	\$0.00	\$20,456.58	20,456.58	\$0.00	\$163,652.67	163,652.67	\$245,479.00	
#3	CITY OF KALAMAZOO MALL MAINTENANCE	\$0.00	\$4,934.17	4,934.17	\$59,210.00	\$39,473.33	(19,736.67)	\$59,210.00	
	CITY ADMINISTRATION LOAN	\$0.00	\$45,718.92	45,718.92	\$0.00	\$365,751.33	365,751.33	\$548,627.00	
#4	STREET METERS	\$39,565.44	\$31,782.83	(7,782.61)	\$229,956.07	\$222,479.83	(7,476.24)	\$381,394.00	
#5	UNATTENDED	\$11,257.40	\$32,510.17	21,252.77	\$209,114.90	\$227,571.17	18,456.27	\$390,122.00	
#6	ATTENDED	\$61,949.77	\$105,449.92	43,500.15	\$726,205.73	\$738,149.42	11,943.69	\$1,265,399.00	
#7	ENFORCEMENT	\$22,097.64	\$25,331.67	3,234.03	\$160,338.56	\$177,321.67	16,983.11	\$303,980.00	
	METRO TRANSIT FEE	\$204.00	\$203.92	(0.08)	\$1,293.55	\$1,427.42	133.87	\$2,447.00	
	ARCADIA LAND CONTRACT	\$276.67	\$276.67	(0.00)	\$1,936.69	\$1,936.67	(0.02)	\$3,320.00	
	RAMP #4 SALES PROCEEDS	\$25,000.00	\$25,000.00	0.00	\$175,000.00	\$175,000.00	0.00	\$300,000.00	
#8	LOT #9 SALES PROCEEDS	\$709,519.00	\$0.00	(709,519.00)	\$709,519.00	\$0.00	(709,519.00)	\$0.00	
	TIF CONTRACTED DOWNTOWN MAINTENANCE	\$0.00	\$3,333.33	3,333.33	\$0.00	\$23,333.33	23,333.33	\$40,000.00	
	CONTINGENCY	\$0.00	-\$643.75	(643.75)	\$0.00	-\$4,506.25	(4,506.25)	-\$7,725.00	
	REVENUE BOND	\$0.00	\$73,121.75	73,121.75	\$304,435.52	\$511,852.25	207,416.73	\$877,461.00	
	TOTAL DDA REVENUES	\$975,215.01	\$390,216.75	(584,998.26)	\$2,776,181.40	\$2,825,361.66	49,180.26	\$4,682,601.00	
			A				A		
	BRAND AND ENGAGEMENT REVENUES FROM TIF							\$100,000.00	#15
	BUS RECRUITMENT & RETENTION REV FROM TIF							\$165,973.00	#16
	TOTAL DKI REVENUES								
	EXPENDITURES:			A			A		
	OPERATING EXPENDITURES:								
	D&O INSURANCE	\$0.00	\$291.67	291.67	\$3,300.00	\$2,333.33	(966.67)	\$3,500.00	
#9	LEGAL SERVICES	\$4,045.00	\$5,416.67	1,371.67	\$32,932.00	\$41,666.67	8,734.67	\$65,000.00	
	LEGAL NOTICES	\$0.00	\$66.67	66.67	\$0.00	\$533.33	533.33	\$800.00	
	AUDIT	\$3,150.00	\$2,172.92	(977.08)	\$22,210.00	\$16,310.42	(5,899.58)	\$26,075.00	
#10	DOWNTOWN ADMINISTRATION	\$26,004.17	\$26,004.17	(0.00)	\$201,366.69	\$201,366.67	(0.02)	\$312,050.00	
	DEGA	\$218.35	\$41.67	(176.68)	\$497.00	\$333.33	(163.67)	\$500.00	
	LIABILITY INSURANCE	\$0.00	\$552.50	552.50	\$3,032.03	\$3,867.50	835.47	\$6,630.00	
#11	SALARIES & WAGES	\$55,452.75	\$59,374.75	3,922.00	\$395,318.32	\$415,623.25	20,304.93	\$712,497.00	
#11	PAYROLL TAXES	\$9,914.92	\$10,616.25	701.33	\$70,702.09	\$74,313.75	3,611.66	\$127,395.00	

		2018 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM										
		2 MILL AND TIF - AUGUST 31, 2018										
		TPM - JULY 31, 2018										
		TOTAL DDA										
		MONTH TO	MONTHLY	MONTHLY	YTD	YEAR TO	YTD				DKI	
		DATE ACTUAL	BUDGET	VARIANCE	ACTUAL	DATE BUDGET	VARIANCE	2018 BUDGET				
OPERATED EXPENDITURES CONTINUED:				A			A					
#11	WORKERS COMPENSATION	\$2,528.78	\$2,963.92	435.14	\$18,031.95	\$20,747.42	2,715.47	\$35,567.00				
#11	HOSPITALIZATION & BENEFITS	\$10,331.03	\$10,073.67	(257.36)	\$71,590.52	\$70,515.67	(1,074.85)	\$120,884.00				
	EMPLOYEE RELATIONS/TRAINING	\$0.00	\$125.00	125.00	\$113.98	\$875.00	761.02	\$1,500.00				
	PERSONNEL SELECTION	\$308.35	\$291.67	(16.68)	\$922.30	\$2,041.67	1,119.37	\$3,500.00				
	EQUIPMENT PURCHASE/LEASE	\$1,061.58	\$813.33	(248.25)	\$3,915.10	\$5,693.33	1,778.23	\$9,760.00				
	LIABILITY CLAIMS	\$416.24	\$300.00	(116.24)	\$2,234.05	\$2,100.00	(134.05)	\$3,600.00				
	AUTO & TRUCK EXPENSE	\$496.41	\$943.75	447.34	\$8,552.30	\$6,606.25	(1,946.05)	\$11,325.00				
	REPAIRS & MAINTENANCE	\$2,805.16	\$5,914.17	3,109.01	\$25,607.14	\$41,399.17	15,792.03	\$70,970.00				
	UTILITIES	\$9,113.65	\$11,002.75	1,889.10	\$87,294.32	\$77,019.25	(10,275.07)	\$132,033.00				
	TELEPHONE	\$957.58	\$1,397.50	439.92	\$8,844.05	\$9,782.50	938.45	\$16,770.00				
	WEBSITE	\$0.00	\$170.83	170.83	\$271.45	\$1,195.83	924.38	\$2,050.00				
	SIGNAGE	\$220.48	\$416.67	196.19	\$3,315.12	\$2,916.67	(398.45)	\$5,000.00				
	MATERIALS & OFFICE SUPPLIES	\$1,691.33	\$1,680.58	(10.75)	\$10,004.93	\$11,764.08	1,759.15	\$20,167.00				
	CUSTOMER SERVICE PROGRAM	\$0.00	\$141.67	141.67	\$56.17	\$991.67	935.50	\$1,700.00				
	POSTAGE	\$675.00	\$695.83	20.83	\$4,849.50	\$4,870.83	21.33	\$8,350.00				
	FORMS & PRINTING	\$1,544.17	\$1,500.00	(44.17)	\$11,747.73	\$10,500.00	(1,247.73)	\$18,000.00				
	OUTSIDE CONTRACT SERVICES	\$14,680.58	\$23,568.25	8,887.67	\$171,518.70	\$164,977.75	(6,540.95)	\$282,819.00				
	OFFICE LEASE	\$2,361.06	\$2,359.42	(1.64)	\$16,335.86	\$16,515.92	180.06	\$28,313.00				
	RAMP 3 RESERVE	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
	ABM MGMT FEE	\$15,237.29	\$15,295.58	58.29	\$106,661.03	\$107,069.08	408.05	\$183,547.00				
	OPERATING CONTINGENCY	\$0.00	\$6.25	6.25	\$0.00	\$43.75	43.75	\$75.00				
INITIATIVES/PROGRAMS:												
#12	BRAND & ENGAGEMENT	\$8,333.34	\$8,333.33	(0.01)	\$66,666.72	\$66,666.67	(0.05)	\$100,000.00	\$100,000.00	#15		
#13	BUSINESS RECRUITMENT & RETENTION	\$5,000.00	\$13,831.08	8,831.08	\$38,228.58	\$110,648.67	72,420.09	\$165,973.00	\$165,973.00	#16		
	LIQUOR LICENSE	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
	BUILDING REVITALIZATION	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
	DOWNTOWN MAINTENANCE	\$3,716.36	\$7,850.83	4,134.47	\$24,345.18	\$62,806.67	38,461.49	\$94,210.00				
	ACFP TASK FORCE	\$0.00	\$2,500.00	2,500.00	\$0.00	\$20,000.00	20,000.00	\$30,000.00				
	CAPITAL IMPROVEMENTS PLANNING & DESIGN	\$0.00	\$8,333.33	8,333.33	\$0.00	\$66,666.67	66,666.67	\$100,000.00				
	SPECIAL PROJECTS	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
DEBT SERVICE/OTHER OBLIGATIONS:												
	ARCADIA CREEK BONDS	\$0.00	\$38,300.00	38,300.00	\$500.00	\$306,400.00	305,900.00	\$459,600.00				
	FESTIVAL PLACE	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
	METROPOLITAN CENTER	\$0.00	\$0.00	0.00	\$0.00	\$0.00	0.00	\$0.00				
	ZOETIS TAX APPEAL	\$0.00	\$3,858.33	3,858.33	\$46,300.05	\$30,866.67	(15,433.38)	\$46,300.00				
	REBATED TAXES	\$0.00	\$2,916.67	2,916.67	\$0.00	\$23,333.33	23,333.33	\$35,000.00				

2018 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM																			
2 MILL AND TIF - AUGUST 31, 2018																			
TPM - JULY 31, 2018																			
TOTAL DDA																			
	MONTH TO	MONTHLY	MONTHLY		YTD	YEAR TO	YTD											DKI	
	DATE ACTUAL	BUDGET	VARIANCE		ACTUAL	DATE BUDGET	VARIANCE	2018 BUDGET											
DEBT SERVICE/OTHER OBLIGATIONS CONTINUED:																			
			A				A												
CITY OF KALAMAZOO LOAN	\$0.00	\$0.00	0.00		\$0.00	\$0.00	0.00	\$0.00											
RAMP #3 DEBT SERVICE	\$0.00	\$56,503.33	56,503.33		\$99,913.96	\$395,523.33	295,609.37	\$678,040.00											
5 YEAR TPM DEBT SERVICE	\$0.00	\$15,229.17	15,229.17		\$66,625.00	\$106,604.17	39,979.17	\$182,750.00											
5 YEAR PLAN EXPENDITURES:																			
CAPITAL EXPENDITURES	\$0.00	\$44,879.65	44,879.65		\$299,977.23	\$314,157.52	14,180.29	\$538,555.75											
ACCESS CONTROL EQUIPMENT	\$0.00	\$21,001.03	21,001.03		\$1,800.00	\$147,007.20	145,207.20	\$252,012.34											
LOT EXPENDITURES	\$0.00	\$4,166.67	4,166.67		\$0.00	\$29,166.67	29,166.67	\$50,000.00											
5 YEAR TPM PLAN CONSULTANT SERVICES	\$0.00	\$0.00	0.00		\$0.00	\$0.00	0.00	\$0.00											
TECHNOLOGY	\$0.00	\$2,240.91	2,240.91		\$2,658.29	\$15,686.36	13,028.07	\$26,890.91											
MARKETING	\$0.00	\$833.33	833.33		\$0.00	\$5,833.33	5,833.33	\$10,000.00											
TRANSPORTATION & MOBILITY	\$0.00	\$0.00	0.00		\$0.00	\$0.00	0.00	\$0.00											
5 YEAR TPM PLAN CONTINGENCY	\$0.00	\$0.00	0.00		\$0.00	\$0.00	0.00	\$0.00											
TOTAL EXPENDITURES	\$180,263.58	\$414,975.75	234,712.17		\$1,928,239.34	\$3,015,341.34	1,087,102.00	\$4,979,710.00										\$265,973.00	
			A				A												
TOTAL REVENUES OVER/UNDER TOTAL EXPENDITURES	794,951.43	(24,759.00)	819,710.43		847,942.06	(189,979.68)	1,037,921.74	(297,109.00)										\$0.00	
	C	C	B		C	C	B	\$200,000.00	#14										
								(\$97,109.00)											

FINANCIAL STATEMENT FORMAT AND FOOTNOTES:

EXPLANATION OF NUMBER FORMATTING:

A MONTHLY AND YTD VARIANCE COLUMNS THAT INCLUDE VARIANCES FOR EACH LINE ITEM AS WELL AS VARIANCES FOR BOTH THE REVENUE AND EXPENDITURE TOTALS:

- *A POSITIVE LINE ITEM AMOUNT FOR EITHER A REVENUE OR EXPENDITURE MEANS THAT LINE ITEM IS UNDER THE BUDGETED AMOUNT.**
- *A NEGATIVE LINE ITEM AMOUNT NOTED BY () FOR EITHER A REVENUE OR EXPENDITURE MEANS THAT THE LINE ITEM IS OVER THE BUDGETED AMOUNT.**
- *A POSITIVE REVENUE OR EXPENSE TOTAL MEANS THAT THE REVENUE OR EXPENSE TOTAL IS UNDER THE BUDGET AMOUNT.**
- *A NEGATIVE REVENUE OR EXPENSE TOTAL NOTED BY () MEANS THAT THE REVENUE OR EXPENSE TOTAL IS OVER THE BUDGETED AMOUNT.**

B THE TOTAL REVENUE OVER/UNDER TOTAL EXPENDITURE LINE CONTAINING TOTALS FOR THE MONTHLY AND YEAR TO DATE VARIANCES THAT NET THE REVENUES WITH THE EXPENDITURES:

- *A POSITIVE COLUMN TOTAL MEANS THAT THE NET OF BOTH REVENUES & EXPENDITURES IS UNDER BUDGET.**
- *A NEGATIVE COLUMN TOTAL NOTED BY () MEANS THAT THE NET OF BOTH REVENUES & EXPENDITURES IS OVER BUDGET.**

C THE TOTAL REVENUE OVER/UNDER TOTAL EXPENDITURE LINE CONTAINING TOTALS FOR MONTH TO DATE ACTUAL, MONTHLY BUDGET, YEAR TO DATE ACTUAL AND YEAR TO DATE BUDGET:

- *A POSITIVE COLUMN TOTAL AMOUNT MEANS REVENUES EXCEED EXPENDITURES.**
- *A NEGATIVE COLUMN TOTAL AMOUNT NOTED BY () MEANS EXPENDITURES EXCEED REVENUES.**

EXPLANATION OF FINANCIAL STATEMENT BUDGET FIGURES:

THE FINANCIAL STATEMENT IS A COMPILATION OF 2 MILL, TIF, AND TPM. THE 2 MILL AND TIF FINANCIALS ARE ALWAYS (1) MONTH AHEAD OF TPM FINANCIALS DUE TO THE TIMING OF COMPLETION OF ACCOUNTING. THEREFORE, THE BUDGET FIGURES USED IN THE FINANCIAL STATEMENT WILL INCLUDE (1) ADDITIONAL MONTH FOR 2 MILL AND TIF OVER TPM. ALSO, MOST REVENUES AND EXPENDITURES DO NOT FLOW THROUGH 1/12 EACH MONTH, THEREFORE THERE WILL LIKELY ALWAYS BE VARIANCES IN MOST LINE ITEMS.

FINANCIAL STATEMENT FOOTNOTES: AUGUST & JULY 31, 2018

- #1 BANK INTEREST
- #2 YTD INCLUDES THE RICKMAN HOUSE AND SKYRISE PAYMENTS IN LIEU OF TAXES.
- #3 CITY OF KALAMAZOO MALL MAINTENANCE - ANNUAL CONTRACT PAYMENT TO MAINTAIN THE MALL.
- #4 STREET METERS - \$7,476 MORE THAN YTD BUDGET.
- #5 UNATTENDED - \$18,456 LESS THAN YTD BUDGET. LOT #1 HAS A (20) SPACE LOSS DUE TO CHANGES IN PREPARATION FOR BATES ALLEY. LOT #6 HAS A LOSS OF (14) PARKERS DUE TO REVERENCE LOCATING OUTSIDE OF DOWNTOWN. LOTS #13, #19, AND #20 ARE ALL UNDER LAST YEARS REVENUES.
- #6 ATTENDED - \$11,943 LESS THAN YTD BUDGET. BRONSON HEALTHCARE GROUP HAS RELOCATED A TOTAL OF (71) PARKERS THIS YEAR RESULTING IN A MONTHLY REVENUE LOSS OF \$5,337.
- #7 ENFORCEMENT - \$16,983 LESS THAN YTD BUDGET.
- #8 LOT #9 SALES PROCEEDS
- #9 LEGAL - LEGAL EXPENSES INCLUDE THE SALE OF LOT #9, RAMP #3 REPAIRS, THE WMU MEDICAL SCHOOL PARKING, DEGA, SALE OF 400 ROSE STREET, DDA BOARD MATTERS, KVRT MAINTENANCE, METROPOLITAN CENTER, & CREEK VACATION.
- #10 DOWNTOWN ADMINISTRATION - MONTHLY ALLOCATION
- #11 SALARY & WAGE/PAYROLL TAXES/WORKERS COMP/HOSPITALIZATION - PAYROLL COSTS VARY BASED ON TIME OF YEAR MAINLY DUE TO FESTIVALS.
- #12 BRAND & ENGAGEMENT - MONTHLY ALLOCATION FOR FUNDING EVENTS & ACTIVITIES
- #13 BUSINESS RECRUITMENT RETENTION - EXPENSES INCLUDE THE BUSINESS DEVELOPMENT WORKSHOP SERIES AND GRANT PAYMENTS TO FINAL GRAVITY, AARON SHAFER, ADRIANES'S BOUTIQUE, ROCKET FIZZ, THE STAMPED ROBIN, KALAMAZOO CANDLE COMPANY.
- #14 THE TIF RESERVE CONTRIBUTION TO THE 2018 BUDGET.
- #15 THE TIF BUDGET REFLECTS \$100,000 IN EXPENSE FOR FUNDS BEING TRANSFERRED TO DK1 TO HELP FUND BRAND AND ENGAGEMENT. THE TOTAL BRAND AND ENGAGEMENT BUDGET IN DK1 REFLECTS THE \$100,000 IN REVENUE RECEIVED FROM TIF AND THE \$100,000 IN EXPENSES BUDGETED.
- #16 THE BUSINESS RECRUITMENT AND RETENTION IS BOTH A \$165,973 REVENUE AND EXPENSE IN DK1. THE \$165,973 IN TIF IS A CONTRIBUTION FROM TIF TO DK1 TO FUND THIS ACTIVITY. THIS LINE ITEM INCLUDES \$65,973 IN CARRYOVER FUNDS FROM 2017.



Downtown Water Street Coffee Business Plan

Executive Summary

The downtown Kalamazoo area has seen significant growth in the last 10 years welcoming many new businesses including large restaurants and breweries. This area is thriving, but still lacks options for small venues with craft cocktails. Those who live, work and socialize in the area would appreciate expanded offerings from a local business that they already know and love. This is why Water Street Coffee Joint would like to start serving alcohol. A liquor license would allow us to capture more evening business as well as create a space for locals to experience a high quality craft cocktail in an intimate setting.

Company Overview

Water Street Coffee Joint's humble beginnings date back to Kalamazoo, MI in 1992. At the time, owner Mark Smutek, was working for Heritage Company Architectural Salvage & Supply. He harbored an affinity for historic buildings and an old abandoned gas station on the northwestern edge of town caught his eye. Influenced by a family of entrepreneurs, Mark renovated the building. While continuing to work his day job, Mark spent many long nights and weekends beautifying the space over the next year. In this unique space, Mark paired his interest in coffee with a desire to bring members of the Kalamazoo community from all walks of life together under one roof. Water Street Coffee Joint opened in 1993 and, as Mark had hoped, it became a gathering place for members of the community. The only employee for many months, Mark worked long days, but relished the opportunity to meet the many wonderful and interesting people that call Kalamazoo home.

A passion for fresher, more interesting coffees and a desire to have greater control over the quality and sourcing of the beans, led Mark to attend a roasting course, purchase a Probat L12 roasting machine and begin learning the craft of coffee roasting. In 2001, Water Street Coffee began roasting. Water Street continued to help in the downtown revitalization efforts with the purchase of another abandoned building in disrepair. This location, a former machine shop and cigar factory, resides in the historic Stuart neighborhood, and became the home of Water Street's roasting operations and business office.

Water Street Coffee now employs over 100 people and serves more than 1000 people daily at five cafe locations. The chefs and cooks at the in-house commissary kitchen provide each coffee shop with made-from-scratch, fresh baked goods, soups, sandwiches, salads and desserts. Menu items are focused on local and in-season ingredients. In 2017 over 200,000 pounds of coffee were roasted, serving both Water Street's cafes and over 250 wholesale customers across the Midwest.



We feel strongly that our existing position in the downtown community as a social hub, coffeehouse and eatery, will be further complimented by the addition of beer, wine and craft cocktails.

Industry Analysis

Since Water Street Coffee's inception in 1993, we have witnessed a revitalization and drastic growth of the downtown Kalamazoo area. Growth in the last five years specifically has been at record pace. The openings of Arcadia Brewing's Kalamazoo campus (2014), Bell's Brewery full service restaurant (2015), HopCat (2016), Maru Sushi (2017), and 600 Kitchen & Bar at the Foundry (2017), all within a half mile radius of our downtown location have brought a lot of customers and recognition to the area.

Additionally Kalamazoo has seen an explosion of craft beer. Starting with Bell's, of course, but within the last ten years, we've witness the additions of Arcadia's downtown campus, Tibb's Brewing Company, Gonzo's BiggDog Brewing, Rupert's Brewhouse, Final Gravity's downtown location, One Well Brewing, Latitude 42 Brewing Company, Brite Eyes Brewing and Boatyard Brewing. Not to mention the beer-centric venues like Beer Exchange, Central City Taphouse and HopCat.

With the growth of new restaurants, breweries and increased evening traffic, the downtown area would be well served by a small venue offering craft cocktails.

DIFFERENTIATORS

Craft Cocktails. New dining opportunities have brought about a great awareness to the culinary scene, in which craft beverages are a rising star, and specifically craft cocktails. The Wall Street Journal notes: "Liquor makers sold more spirits and mixed drinks around the world in 2016 than in the year before—a bright spot in an industry where volumes of almost every other kind of alcoholic drink are in decline."

We already have an established reputation for utilizing local ingredients, hand crafting our coffees, and preparing all of our foods from scratch. Our cocktails will be no exception. We'll be hand squeezing our orange juice, lemon juice, lime juice; we'll be making our Bloody Mary mix from scratch. We'll be using local seasonal ingredients in all of our drinks. We will carry only high end spirits. The market is calling for these high-end customized ingredients. We're familiar with them and can confidently execute a well made drink. As Eater reports: "As it relates to liquor, premiumization references the rise of consumer demand for better-crafted, and more expensive booze. Whether it's an ongoing thirst for elevated cocktails, or an occasional splurge on pricey distillates, premiumization is one of the spirit world's key trends in recent years."

Intimate Setting. Our small dining area is an asset. Most of the downtown competitors offer live music venues or large loud dining rooms. This leaves couples on an intimate date or even colleagues that would like to talk over a glass of wine without an option.



Untapped Market. Business Insider Reports: “Millennials are increasingly moving away from beer in favor of wine and spirits. Between 2012 and 2015 alone, those who said beer was their “favorite alcoholic beverage” declined from 29 percent to 26.8 percent overall – and from 33 percent to 27.4 percent among millennials, according to Morgan Stanley’s research.” With three college campuses all a stone’s throw away, we have a whole population looking for delicious craft cocktails and distinct wines with limited options.

Often times we’re able to look at big city trends, especially the west coast for what is coming next in coffee. These trends tend to trickle into the midwest. Right now, we’re noticing the cafes in these areas have more diverse beverage offerings including Nitro coffee on tap, Kombucha, and frequently wine, beer and cocktails.

In order to stay relevant both in the downtown Kalamazoo area and the beverage industry as a whole, we need to build and maintain sales throughout our hours of operation. Our biggest area for growth is marketing to and expanding our offerings for our evening clientele.

Customer Analysis

Great news for us, we already have an existing customer base. We know these people; they like and understand what we do. Some of them have been with us for the full 25 years we’ve been in business. They come to us for quality; they come to us for environment. These two offerings would remain consistent with our proposed cocktail menu. We anticipate our customer base starting their day with Water Street and now, finishing their day with Water Street.

Our current average ticket is around \$8.00. Our proposed price points on beer wine and liquor range from \$3 - \$10, which puts all of our drinks within the range of an established acceptable spend at Water Street.

Additionally, we’ll be able to attract a new customer base with cocktails as an offering. Water Street would be able to draw on the large evening crowd in the downtown area with alcohol as a beverage of choice for many. Our location and expanded offerings would make us the ideal stop for after work drinks, an informal meet up when you don’t want dining implied, or an after dining stop to pick up a delicious dessert.

Competitive Analysis

Competitors include Food Dance, Hopcat, Bells, Arcadia, Beer Exchange, 600 Bar & Kitchen, Shakespeare’s and the Entertainment District. As previously mentioned each of these venues seats 150-300 and most focus on beer or dining or both.



Marketing Plan

DIGITAL

Social Media campaigns would run concurrently with platform specific strategies for Facebook, Instagram, and Twitter. Campaigns would include paid advertising, content sharing incentives and a hashtag campaign for #WaterStreetCocktailJoint. A rotating discounted featured cocktail of the would be promote in store and through google location page. Our google, bing, yelp, and tripadvisor business listings will be updated to include alcohol offerings. Additional updates to our existing website would include alcohol related blog content, updated featured content, beautiful imagery and products highlighting the cocktail menu.

TRADITIONAL

Prior to public launch we would host an invite only Friends and Family night, shortly followed by a grand opening with live music, discounts, promotions, giveaways and food. Invites along with a press release will be sent to local media outlets, as well as online content creators.

Awareness generating chalkboards and in shop posters would highlight new beverage offerings. Print cocktail menus will be available for take away or mail out. Coupons campaigns both print and electronic would be distributed storewide and online. Monthly in shop events hosted on Saturday or Sunday afternoons. Events would include tastings of alcohol and food pairings and new releases corresponding with seasonal beverages features. The emphasis would be on unique, housemade products containing local ingredients whenever possible.

EXISTING REACH

Currently our retail stores see 1000 customers per day. Additionally we have over 4600 followers on facebook, 2800 on Instagram, and 2680 on Twitter, 2500 email subscribers, 250 daily website visits as well as over 250 businesses as wholesale customers.

Product and Pricing

[Proposed Menu](#)

Management Team

- **Director of Operations** - oversee implementation.
- **Contractors** - run necessary plumbing and electrical. Create liquor display unit.
- **Inventory Manager** - establishes vendor relationships. Sets up terms. Calculates costing and recommends price points. Programs point of sales system and ordering app. Creates and enforces inventory system. Procures miscellaneous smallwares and equipment for drink making.
- **Kitchen Manager** - procures and prepares non-alcoholic drink components.



- **Regional Manager, Store Manager** - ensures successful completion of R-serving Certification for staff. Ensures successful in house training. Ensure Liquor control compliance. Orders product. Completes checklist and on site temperature monitoring. Food safety compliance. Ensures safe storage of product.
- **Creative Director** - designs menus and other print and promotional materials including coupons. Orders additional signage as necessary. Designs napkins, coasters, and complimentary retail products.
- **Marketing Director** - oversees marketing efforts including social content and imagery, website information, paid advertising.
- **Bartender Consultant** - design menu and create unique beverage offerings. Consult on all aspects of drinking making. Conduct training classes for eligible staff.

FINANCIAL PROJECTIONS

Cost of the license: \$20,000.00

Legal/Accounting: \$5000

Insurance: \$2000

Small modifications to existing space - Contractors: \$8,000.00

Additional Refrigeration: \$6,000.00

Initial Inventory purchase: \$5,000.00

Glassware & Miscellaneous Smallwares: \$1000

Training/ Payroll Expenses: \$3500

Consulting: \$2000

Marketing: \$3000

Signage: \$1200

TOTAL INITIAL INVESTMENT: \$56,700.00

[*See attached for detailed cost breakdown by beverage.](#)

[Year 1 - 3 Profit and Loss.](#)

Fortunately for existing operations we have very minimal start up costs and since overhead is already absorbed by existing operations, we felt it was not necessary to factor this into initial projections. We do not anticipate expanding our offerings to negatively impact existing business, nor do we anticipate it significantly impacting current labor requirements.

DOWNTOWN REPORT

An overview of Downtown Kalamazoo

September 2018

Planning and Re-Organization

Downtown Economic Growth Authority – Consistent with recommendations put forth in the Urban Growth Initiative, and approved by the boards of DKI and DDA, City Commission approved a resolution of intent to create a new Downtown Economic Growth Authority (DEGA) and held a public hearing on August 6th. Dozens of businesses, community partners and local residents attended to testify in support of the proposal. The proposed DEGA would replace, and function very similarly to how the DDA has since 1989, serving a largely consistent geography.

Leading up to the hearing, DKI engaged in an extensive outreach process to ensure that businesses, organizations and residents have a strong understanding of the proposal and an opportunity to ask questions. This included:

- 3 public meetings held with more than 35 attendees
- 20+ planning meetings with community partners
- 25+ meetings with businesses, organizations & taxing authorities
- 30+ letters of support collected from local businesses and organizations
- 60 local businesses and organizations contacted
- 1000+ public hearing notices mailed to local taxpayers in the district
- 30+ notices posted in 27 different locations across the district
- 2 notices published in the Kalamazoo Gazette

The public approval process for the proposed authority stretches into December, with multiple opportunities for official public comment at City Commission. DKI is continuing its outreach process leading up to the City Commission vote in October.

Organizational structure – DKI staff, board continue to build out changes to organizational structure.

Community engagement model/Citizen Coalitions – DKI moving forward with creation of new community engagement model, including four Citizen Coalitions focused on People, Place, Growth, and Experience that will help guide work of organization. Call for applications to be released October 1, 2018.

DTI Board – Meeting quarterly as reorganization progresses.

Downtown Parking Plan – New York-based firm [Nelson Nygaard](#) selected to lead planning process for future of downtown parking, to include transportation demand management, enforcement hours, technology, facilities, programming, rates etc. Nelson-Nygaard held kick-off meeting in Kalamazoo August 17. They will return in the Fall to do counts when traffic is more reflective of normal conditions.

Organizational branding – New DKI brand to be rolled out October 1, 2018.

Infrastructure Projects

Construction – Construction continues on multiple fronts downtown, with Consumers Energy replacing gas lines throughout downtown, MDOT resurfacing streets, and City of Kalamazoo reconstructing Rose Street and the Pitcher/Water intersection. Consumers’ work has moved onto the block of the Kalamazoo Mall bounded by Michigan and South Streets, with periodic 7am-11am closures. DKI continues to work with COK to communicate disruptions to public and downtown businesses in a timely manner.

Jurisdictional Transfer of downtown streets – DKI continuing to participate in discussions with City of Kalamazoo, MDOT on jurisdictional transfer of streets to City, with goal of completing transfer by November.

Foundation for Excellence funds – DKI working with COK staff to prioritize investment of funds allocated for downtown improvements, using UGI, Imagine Kalamazoo, and previously identified priorities as guidance.

Bates Alley – Bates Alley Project to be complete and open for October Art Hop.

Development Projects

Lot 9 project – Closing on Lot 9 occurred in July 2018. Construction to begin concurrently. Completion within 24 months. Groundbreaking ceremony occurred August 9.

Rose/Lovell Project – Groundbreaking was held on August 22.

Events

Sunday Brunch Food Truck Rally series – As part of efforts to more intensively program Arcadia Creek Festival Place, a series of six food truck rallies are being hosted on Sundays from 11am-3pm. Approximately ten trucks are participating with associated complementary activities. Initial response has been positive.

Audiotree – Audiotree Festival will be taking place at the Arcadia Creek Festival Place for the third year in a row on Sept. 22-23.

SHOP.DINE.WIN – As an incentive to shop and return to downtown Kalamazoo, DKI ran a SHOP.DINE.WIN promotion the month of August. For every \$50 spent at a participating business, the visitor could submit their receipt as an entry into a raffle to win up to \$1000 in downtown dollars each week. The numbers: Thirty-one participating downtown businesses; 1,965 entries; 28 winners.

Business Updates

Professional Development Series – A “Detecting Counterfeit Money and Other Scams” workshop was held on August 22 with Consumers Credit Union’s Clarence Lloyd.

Media Coverage

- Did You Know That There is a Community Garden in Downtown Kalamazoo - <https://bit.ly/2wiPXMR>
- Businesses show support for downtown Kalamazoo growth authority - <https://bit.ly/2w1Di1i>
- Downtown Kalamazoo Offering Free Parking on Thursdays all month - <https://bit.ly/2NbHRMX>
- Kalamazoo County Commission to hear pitch for downtown event center - <https://bit.ly/2w14Z4m>
- City leaders address next steps following failed changed to Park ordinance - <https://bit.ly/2LifpHB>
- Improv group starts season with new venue in historic Kalamazoo church - <https://bit.ly/2PvgGhH>