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TO: Christina Montague, Chair
Washtenaw County Board of Commissioners

THROUGH: Robert E. Guenzel
County Administrator

FROM: Robert E. Guenzel, County Administrator

DATE: July 5, 2000

SUBJECT: Update on BOC Contingency Issues on Proposed Downtown Shelter

As promised in January, this memo updates you on the progress toward addressing the nine contingencies identified at your December 8, 1999, meeting in consideration of the proposed downtown shelter.

Contingency 1: Satisfactory environmental and utility survey, which indicates that the site is buildable. Status: Completed.

Environmental Review

We have now completed all necessary environmental reviews of the proposed site on W. Huron Street. The reviews include examination for past contamination, existing soil conditions, and the examination of current environmental concerns (i.e. floodplain). The results of these reviews are as follows:

- The Soil Survey from Soils and Materials Engineers, Inc. has been received. Their report indicates the site is buildable.
- In December 1999, we received an environmental review from Nova Environmental stating that no environmental hazards were identified on site.
- Also in December, Midwestern Consulting identified and illustrated on a topographic map all existing utilities.

Information from these reports will be utilized in the development of the estimated costs for construction.

Contingency 2: Business Plan or Operating Plan. Status: Completed

Saint Joseph Mercy Health System and the Washtenaw Housing Alliance have completed a business plan for the Shelter Association of Washtenaw County's operation of a new shelter. The *Business Plan for the Operation of the Huron Street Shelter* outlines operating plans and funding for a 50-bed, 24/7 sheltering facility, community kitchen, and service programs. You received a copy of the business plan in March.

Contingency 3: Lease Agreements. Status: To be completed by **July 5, 2000**

Content of Proposed Lease Agreement with Saint Joseph Mercy Health Systems Acting on Behalf of the Washtenaw Housing Alliance

Corporation Counsel has drafted a proposed long-term lease agreement with the Washtenaw Housing Alliance to operate the proposed homeless shelter on W. Huron Street. Saint Joseph Mercy Health System (“SJMHS”) would also sign a separate agreement that guarantees the services to be provided by the Housing Alliance under the long-term lease. Corporation Counsel is currently negotiating the terms of the Lease and the guaranty with the legal counsel for the Housing Alliance and SJMHS respectively.

Contingency 4: Results of the site survey for environmental problems (same as 1).
Status: Completed

The site survey prepared by Midwestern Consulting (see contingency #1) illustrates location of the floodplain limits within the proposed site.

Contingency 5: Estimate of building costs based on a design study. Status: Completed

The Project Team has presented a design of the building and cost estimates to construct. In addition to the construction and furnishing costs, we have estimated the following project costs.

\$4,162,100	Cost of construction and furnishing
510,000	Cost of property (estimated)
\$4,672,100	
325,000	Architect fees
\$4,997,100	Project Cost

We anticipate that we can get in-kind donations that will reduce the total cost of the project. I have asked Lorri Sipes and Tom Freeman to recommend a “design – build” process for the construction of the shelter. This process should reduce costs and time to construct.

This cost estimate does not include the use of the Ellmann property. We have now received the appraisal for the Ellmann property. We will discuss the pros and cons of purchasing this property with the Board at its Ways and Means committee meeting on July 5, 2000.

Contingency 6: Explanation of financing details (when and how payments are made by different entities). Status: To be completed by July 5, 2000

The Board of Commissioners approved construction of the downtown shelter at the June 7, 2000 Ways and Means Meeting. At its June 19, 2000 meeting, Ann Arbor City Council approved the expenditure of \$1,000,000.00 for the shelter project conditioned on three events: (1) a legally binding contract that the use of the property at 420 W. Huron for shelter/client related purposes cease once the new shelter is constructed; (2) the creation of a citizens advisory board to advise and assist in operating the new shelter; and (3) review by the City of Ann Arbor’s planning department. Currently, each of these contingencies has either been completed or will be completed shortly. The Shelter Association of Washtenaw County has agreed that once the new shelter is built, it will execute a deed restriction indicating the property

at 420 W. Huron will no longer be used to provide direct client services. In addition, this provision will be included in the long term lease with the Washtenaw Housing Alliance. These actions meet the first contingency set by the City of Ann Arbor. The Board of Commissioners will create a Citizen Advisory Board at its July 5, 2000 meeting. This will meet the City's second contingency. Finally, once the plans for the shelter have been reviewed by the City's planning department, the third contingency will have been met and City will be responsible for payment of \$1,000,000.00 to the shelter project. I have indicated to the City Administrator that the amount could be paid in a lump sum, installments over the life of the bond issue or a shorter period of time. The County already has \$3,000,000 from the bond sale proceeds; the City's share will be used to lower our debt retirement obligation.

Remaining funds needed for construction

Both the Housing Alliance and St. Joseph Mercy Health System are committed to raise the approximately \$2,000,000 needed to complete the project. They are hiring a fundraising consultant to help work out a plan to raise between \$5,000,000 and \$10,000,000 for the cost of construction and as an endowment for operations.

A campaign steering committee is being formed. Its initial members are Judy Dow Rummelholt, Chair; Wendy Lawson; Del Dunbar; Paul Saginaw; Joe Fitzsimmons; and Margaret Casey, Vice President of Development for St. Josephs. This committee will be expanded to include other community leaders.

Towards this end, St. Josephs has pledged \$500,000 as a leadership gift. This is confirmed in the attached letter of Garry Faja, CEO, who also expresses confidence in raising the additional funds. Members of the steering committee have also given me assurances that the additional funds will be raised.

I am confident that the additional funds will be secured and expect this to happen before the completion of the project. However, if funds are not received by that time, I would recommend that the County advance the funds from its Capital Reserve Fund. This would be similar to the way we financed restoration of the Chelsea Court. In that situation the County advanced the funds and we were reimbursed by private donations.

Contingency 7: Overflow arrangement. Status: Completed

"A 50 Bed Shelter, Why and How?" a document prepared by the Shelter Association provides a complete explanation.

Contingency 8: Mechanisms for ongoing neighborhood involvement. Status: Completed

A Neighborhood Advisory Committee comprised of area residents and business owners/operators, representatives of the Shelter Association, Washtenaw Housing Alliance and County Administration has been established. Members of this committee sit on the Project Team and represent neighborhood interests in the planning, design and communication of the Project Team activities. In addition, the Project Team held three Public Workshops in the community. These meetings provided the opportunity for even more citizen participation in design-related activities. Moreover as explained in Contingency 6 above, the Board of Commissioners will be creating a Citizen Advisory Board that will assist and advise in the operation of the downtown shelter once it is operational.

We will continue to work with the Neighborhood Advisory Committee and/or the Citizen Advisory Board to formalize their relationship to the City, County and Shelter Association.

Contingency 9: Receipt of the \$1 million pledge by the City of Ann Arbor toward building the Shelter or a binding agreement to pay such in the future. Status: The City of Ann Arbor approved giving \$1,000,000.00 for the shelter project on June 19, 2000. See, Contingency 6.

cc: Ann Arbor Mayor and City Council
Neal G. Berlin, Ann Arbor Administrator
Eileen Ryan, Ann Arbor Community Development Director
Larry Friedman, Ann Arbor Housing Services Manager