

**ACT 381  
WORK PLAN  
TO CONDUCT  
ELIGIBLE  
MEGA NON-ENVIRONMENTAL  
ACTIVITIES**

**WASHTENAW COUNTY BROWNFIELD REDEVELOPMENT  
AUTHORITY – DELI PARTNERS, L.L.C.  
REDEVELOPMENT PROJECT  
WASHTENAW COUNTY, MICHIGAN**

**Last Revision  
October 4, 2010**

# TABLE OF CONTENTS

## 1.0 INTRODUCTION

- 1.1 Eligible Property Information
  - a. Location
  - b. Current Ownership
  - c. Proposed Future Ownership
  - d. Delinquent Taxes, Interest, and Penalties
  - e. Existing and Proposed Future Zoning for Each Eligible Property
- 1.2 Historical Use of Each Eligible Property
- 1.3 Current Use of Each Eligible Property
- 1.4 Summary of Proposed Redevelopment and Future Use for Each Eligible Property
- 1.5 Information Required by Section 15(15) of the Statute

## 2.0 CURRENT PROPERTY CONDITIONS

- 2.1 Property Eligibility
- 2.2 Summary of Environmental Conditions
- 2.3 Summary of Functionally Obsolete Conditions

## 3.0 SCOPE OF WORK

- 3.1 MEGA Eligible Activities
  - a. Demolition
  - b. Lead and Asbestos Abatement
  - c. Infrastructure Improvements
  - d. Site Preparation
  - e. Contingency (15%)
  - f. Preparation and Development of Brownfield Plan and Work Plan
  - g. MEGA Work Plan review fee
  - h. Interest

## 4.0 SCHEDULE AND COSTS

- 4.1 Schedule of Activities
- 4.2 Estimated Costs
  - a. Description of MEGA Eligible Activities Costs

## LIST OF EXHIBITS

### FIGURES

- Figure 1 Legal Description
- Figure 2 Property Location and Surrounding Area Property Map
- Figure 3 Site Photographs
- Figure 4 Site Redevelopment Rendering and Infrastructure Improvements
- Figure 5 Eligible Property Map and Site Map

### TABLES

- Table 1 Cost Summary for Eligible Activities
- Table 2 MEGA Tax Capture Table and Reimbursement Schedule

**ATTACHMENTS**

Attachment A Approved Brownfield Plan with Approving Resolution

Attachment B Development Agreement between Municipality and Developer

Attachment C Letter of Functional Obsolescence from Assessor

## **1.0 INTRODUCTION**

### **1.1 Eligible Property Information**

#### **a. Location**

The eligible property is comprised of three parcels of property containing approximately 0.34 acres located at 418 (Next Door), 420 (Annex) & 422 (Deli) Detroit Street (09-09-29-116-027 and 09-09-29-116-028) and 322 E. Kingsley Street (09-09-29-116-010) in the City of Ann Arbor (the "Property"). The Annex and Deli buildings are located on one parcel. The 322 E. Kingsley address is located outside the Downtown Development Authority ("DDA") boundary. The remaining parcels are located within the DDA boundary. A legal description describing the development site is included in the brownfield plan, which is Attachment A to this Work Plan. Per the City of Ann Arbor requirements, the three parcels will be combined into one parcel.

#### **b. Current Ownership**

The Property is currently owned by Deli Partners, L.L.C. The contact information for Deli Partners, L.L.C. ("Deli Partners") is 422 Detroit Street, Ann Arbor MI 48104. The contact person for Deli Partners is Paul G. Saginaw who can be reached at (734) 913.0059.

#### **c. Proposed Future Ownership**

The proposed future ownership structure for the Property will not change.

#### **d. Delinquent Taxes, Interest, and Penalties**

There are no delinquent taxes on the Property at this time.

#### **e. Existing and Proposed Future Zoning**

The current zoning for the Property is D2 and it will remain as such.

### **1.2 Historical Use of Each Eligible Property**

The Property was historically used as a grocery, deli and for prior residential uses, which have since been converted to deli and associated business use.

### **1.3 Current Use of Each Eligible Property**

Currently, the buildings are used to operate Zingerman's Delicatessen.

### **1.4 Proposed Redevelopment and Future Use**

The Property is currently owned by Deli Partners and is leased to Zingerman's Delicatessen and will remain in this structure. The Property will be redeveloped and consist of the rehabilitation and renovation of the Annex and Deli, removal of 322 E. Kingsley Street property, removal of the storage garage and construction of a new approximately 10,400 square foot two-story brick addition with atrium and basement that will house the new kitchen, extended dining area, storage, offices and retail area (the "Project"). The addition and atrium will be constructed with various green elements such as low-flow fixtures, heat recapture, high-

efficiency lighting, reuse of existing structures and incorporate the reuse of rainwater on the site. In addition, the first floor roof of the Deli will include a green roof. The addition and atrium will likely qualify for LEED certification and Deli Partners plan to seek actual certification.

The overall estimated investment for the Project is approximately \$6.7 million. Construction for the Project is anticipated to begin in fall of 2010 and will continue until completion in approximately spring 2012. It is estimated that the Project will result in the creation of up to 65 new full time jobs. This Act 381 Work Plan request has been created to facilitate the redevelopment of the Property and to allow the Washtenaw County Brownfield Redevelopment Authority to utilize Tax Increment Financing ("TIF") to reimburse Deli Partners for the eligible activities identified within this Work Plan.

## **1.5 Information Required by Section 15(15) of the Statute**

### **a. The overall benefit to the public:**

The public will benefit from the proposed business expansion through the benefit of local investment and job creation, as well as redevelopment of this historical site. In addition, the proposed project is anticipated to provide increased future property tax revenue.

### **b. The extent of reuse of vacant buildings and redevelopment of blighted property:**

The "Property" is qualifying as functionally obsolete and those parcels adjacent or contiguous to the functionally obsolete parcel. The residential unit at 322 E. Kingsley was destroyed by fire and can no longer be used for the purpose it was constructed. In addition, the Annex building was also deemed functionally obsolete based on age, condition, blight and it being not readily adaptable to continued or future use. The redevelopment project includes the demolition of the functionally obsolete residential unit and the expansion of the existing deli operations in a proposed newly constructed two-story addition. The redevelopment of the site will place the obsolete site back to a productive use and allow the existing business to expand their operations. Further, the remaining existing buildings will be rehabilitated to improve the efficiency of the current business operations.

### **c. Creation of Jobs:**

The Project is expected to create both temporary construction jobs and approximately 65 new full time jobs in the City and State of Michigan.

### **d. Whether the eligible property is in an area of high unemployment:**

The unadjusted unemployment rate for the City of Ann Arbor for the period ended August 2010 was 9.3%. The adjusted unemployment rate for the State of Michigan for the same period was 13.1%. While the unemployment rate of 9.3% for the City of Ann Arbor for the period ended August 2010 was lower than the statewide average for the same period, 9.3% unemployment remains a significantly high figure.

**e. The level and extent of contamination alleviated by or in connection with the eligible activities:**

The Property is not known to be contaminated and was deemed “functionally obsolete”. Therefore, no environmental remediation is anticipated as a result of the requested eligible activities.

**f. The level of private sector contribution:**

The total capital investment for the Project is anticipated to exceed \$6.7 million. It is expected that the majority of this investment will come from private investment.

**g. If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a brownfield:**

The Project involves the rehabilitation of existing buildings, which the business has occupied since 1982. The known tenant, Zingerman’s Delicatessen, will not be moving from former location in Michigan and it is not anticipated that this Project will create any brownfields as a result of this Project.

**h. Other state and local incentives available to the developer, landowner, or corporate entity for the project of the developer, landowner, or corporate entity that is included in the work plan:**

The City of Ann Arbor Downtown Development Authority has committed \$407,000 in eligible expenses and grant funds for the following activities: a) LEED Certification costs; b) sidewalks and curb ramps; c) contractor parking; and d) laydown areas for construction staging. In addition, the City and County are supporting the use of local brownfield tax increment for eligible activities at the site.

**i. Any other criteria that the Michigan Economic Growth Authority considers appropriate for the determination of eligibility or for approval of the work plan:**

Zingerman’s Deli has longstanding ties with the community and consistently receive local, statewide and national reviews. Additionally, the deli serves as a significant tourist attraction for the City of Ann Arbor.

## **2.0 CURRENT PROPERTY CONDITIONS**

### **2.1 Property Eligibility**

The 322 E. Kingsley St. and 420 Detroit Street properties were deemed “functionally obsolete” by a Level CME4, PPE, Assessor on June 30, 2010. A copy of the Affidavit of the Assessor is attached as Attachment C. The 418 Detroit Street property is adjacent or contiguous to the 322 E. Kingsley St. and 420 Detroit Street properties and the redevelopment is estimated to increase the captured taxable value of the 322 E. Kingsley and 420 Detroit Street properties. Additionally, as described in the brownfield plan, the 420 & 422 Detroit Street property is adjacent or contiguous to the functionally obsolete 322 E. Kingsley

property and the redevelopment is estimated to increase the captured taxable value of the 322 E. Kingsley. The City of Ann Arbor is considered a qualified local governmental unit as provided in Act 146 of 2000, as amended. The definition of “eligible property” in the Act includes property that is located in a qualified local governmental unit and is a facility, functionally obsolete, or blighted and includes parcels that are adjacent or contiguous to that property if the development of the adjacent and contiguous parcels is estimated to increase the captured taxable value of that property. Therefore, the Property is considered “eligible property” since it has been deemed “functionally obsolete” by a Level CME4, PPE Assessor, is adjacent or contiguous to a qualifying parcel and it is located in a qualified local governmental unit.

## **2.2 Summary of Environmental Conditions**

The Property was deemed “functionally obsolete” and there are no known environmental impediments at the Property.

## **2.3 Summary of Functionally Obsolete and/or Blighted Conditions**

A copy of the Level 4 Assessor’s determination of functional obsolescence is attached as Attachment C.

# **3.0 SCOPE OF WORK**

## **3.1 MEGA Eligible Activities**

### *a. Demolition*

Demolition activities will include demolition of the existing garage building, removal of the existing structure at 322 E. Kingsley and selective interior and exterior demolition of existing structures, as required during rehabilitation, as well as site demolition, including proper disposal of non-reusable or non-recyclable building materials. This will include items such as the removal of existing unusable site improvements, paving, foundations, fences, etc. Demolition costs are estimated to be approximately \$66,000 and are further described as follows:

- 322 E. Kingsley Demolition (\$31,190)
- Existing Garage Demolition (\$11,000)
- Utility Disconnects (\$9,000)
  - 6 @ \$1,500
  - Required disconnection of utilities at 322 E. Kingsley in preparation for demolition and at 420 Detroit Street (Annex) in preparation for moving the building and reconstructing the foundation.
- Brick Paver Removal (\$2,850)
  - 300 s.f. @ \$9.50
  - This activity will include the removal and reuse of all bluestone patio in the plaza area and ROW brick pavers that will be impacted for ROW utility work. There are additional activities listed below that are required as part of this process.
- Demo fences (\$810)
  - 300 lf @ \$2.70
  - Removal of existing fencing
- Removal of slate pavers (\$3,150)
  - 1,800 sf @ \$1.75

- See above explanation. These will be reclaimed and reused for retaining walls.
- Demo concrete steps and wall (\$8,000)
  - Demolish, remove and dispose any brick walls or planters and other site pavement, furnishings, appurtenances in courtyard, deli, Next Door, Annex and addition area.

b. *Lead and Asbestos Abatement*

It is anticipated that asbestos and lead will require abatement from the Annex and 322 E. Kingsley buildings. The estimated cost for this activity in order to support proper removal and disposal is \$25,000.

c. *Infrastructure Improvements*

Infrastructure improvements will include those improvements set within public easements and right-of-ways, which includes water, storm sewer and sanitary sewer upgrades, street repair to Detroit and E. Kingsley streets, sidewalks, curbs, streetscape improvements such as benches and plants. Costs will also include engineering fees, design fees and other related fees associated with the eligible activities. All Infrastructure improvements proposed will be publicly owned, maintained and operated, will support the project and also serve the public. Infrastructure costs are estimated to be approximately \$58,500. The improvements are further described as follows:

- Demo existing concrete walks (\$18,800)
  - 9,400 s.f. @ \$2
  - Demolish, remove and recycle pavement and sidewalks along plaza, E. Kingsley and Detroit street.
- Concrete City Sidewalk Repairs on Detroit and E. Kingsley (\$5,700)
  - 1,200 s.f. @ \$4.75
  - Replace walks along E. Kingsley and Detroit St. damaged during construction. These costs are in addition to those covered under the DDA approved items.
- Kingsley Street Repair (\$6,900)
  - 1,200 s.f. @ \$5.75
  - See above explanation. This includes repair in front of 322 E. Kingsley and to corner of Detroit Street.
- Street repair closures and barricades (\$6,800)
  - 2 @ \$3,400
  - These are required and associated with the utility work that is proposed.
- Utility Upgrades
  - Utility upgrades are required to service the new building and surrounding neighborhood homes. The following items will be upgraded as required:
  - 12" Storm (\$8,400)
    - 221 lf @ \$38
  - 6" Storm (\$7,004)
    - 206 lf @ \$34
  - 8" Sanitary (\$3,360)
    - 112 lf @ \$30
- Concrete Curb (\$1,500)
  - 100 lf @ \$15

- Replacement of curb along Detroit St. and E. Kingsley following demolition and construction period. These costs are in addition to the costs approved by the DDA support noted above.

d. *Site Preparation*

Site preparation activities will include erosion control, grading, earth retention system, green storm water management system, temporary site control and testing and design and engineering pertaining to eligible activities. Site preparation costs are estimated to be approximately \$385,400, which are further described as follows:

- Temporary Erosion Control (\$2,000)
  - 489 lf @ \$4
  - This will include silt sacks in all drainage structures and silt fence around the perimeter of the site.
- Grading (\$94,800)
  - Soils grading to change the existing cover of the site in order to prepare the site for the proposed development. This includes grading to attain proper grade for renovations within existing courtyard and construction of new building addition on the new property.
    - Building area (\$52,020)
      - 3,472 cy @ \$15.00
    - Excess soil removal (\$21,788)
      - 3,352 cy @ \$6.50
    - Site area grading (\$21,000)
- Retaining Walls (\$26,100)
  - Soil stabilization for site for grade changes in condensed site.
    - 36 cy @ \$725
- Earth retention system (\$150,000)
  - The earth retention system will be used around the addition building perimeter to stabilize the soil from a down-slope movement or erosion, providing vertical support to the proposed addition. This will support exterior adjacent buildings and roadways from collapsing during the construction process.
  - H piling and lagging
    - 6,000 sf @ \$25
- Green Stormwater Management Practices (\$5,200 – Incremental Cost, true cost listed below)
  - Incremental costs associated with onsite underground system that has been designed to reduce or divert storm water from the sewer system and direct it to areas where it can be infiltrated. Please see engineering summary for system comparison.
  - 12" RCP
    - 198 lf @ \$38
  - 6" Perforated HDPE Underdrain
    - 155 lf @ \$18
  - 6" PVC
    - 95 lf @ \$30

- 4' Dia. MH/CB
  - 7 ea @ \$2,000
- Outlet Control Structure Internal
  - 1 ea @ \$5,000
- Cleanouts
  - 2 ea @ \$500
- Stormceptor Treatment Unit
  - 1 ea @ \$15,000
- Stormtech Detention Unit
  - 1 ea @ \$15,000
- Detention Excavation
  - 175 cy @ \$14.50
- Non-woven Geotextile
  - 450 sy @ \$2.40
- Detention Stone Backfill
  - 85 cy @ \$35
- Stone Base for Permeable Pavement
  - 194 cy @ \$35
- Excavation for Permeable Paver Base
  - 315 cy @ \$14.50
- Rain Barrels
  - 6 ea @ \$250
- Tree removal (\$6,300)
  - 7 @ \$900
  - Removal of trees in the front and side yards of 322 E. Kingsley.
- Landscape clearing (\$2,000)
- Temporary site and traffic control and staking (\$50,000)
  - Site and boundary protection during construction period for security and safety for public, employees and workers, including staking for site work.
- Site design, engineering and testing for eligible activities (\$49,000)

e. *Contingency (15%)*

A 15% contingency is factored for the above costs.

f. *Preparation and Development of brownfield plan and Act 381 Work Plan*

Reasonable costs associated with the development and preparation of a brownfield plan and Act 381 Work Plan, not to exceed \$10,000.

g. *MEGA Work Plan Review Fee*

Cost associated with MEGA Work Plan Review.

h. *Interest*

Actual interest associated with the eligible activities not to exceed 5% to address the true cost of conducting the eligible activities associated with the redevelopment of this site.

## **4.0 SCHEDULE AND COSTS**

### **4.1 Schedule of Activities**

Demolition is expected to commence in late fall of 2010 with the remaining activities (site preparation and infrastructure) to follow shortly thereafter. The overall project is expected to be completed by spring of 2012.

### **4.2 Estimated Costs**

#### *a. Description of MEGA Eligible Activities Costs*

The MEGA eligible activities for which tax increment financing is sought include demolition, lead and asbestos abatement, infrastructure improvements, site preparation, a 15% contingency, interest, brownfield plan and Act 381 work plan preparation and review. The total principal estimate of these MEGA activities is approximately \$626,135 with an additional \$203,156 in estimated interest.

## Figure 1 – Legal Description

**Property Address:** 418 Detroit Street  
Ann Arbor, Michigan

**Parcel ID No.:** 09-09-29-116-027

**Legal Description:** PRT OF LOT 140, ASSESSOR'S PLAT NO 29 DESC AS BEG AT A PT ON WLY LINE OF LOT 140, DIST S 38 DEG 51 MIN 00 SEC W 12.72 FT FROM NWLY COR OF LOT 140, TH S 50 DEG 58 MIN 07 SEC E 30.74 FT, TH S 44 DEG 02 MIN 00 SEC E 27.56 FT, TH S 68 DEG 31 MIN 00 SEC E 42.68 FT, TH S 03 DEG 56 MIN 51 SEC W 48.57 FT, TH N 85 DEG 50 MIN 35 SEC W 44.77 FT, TH N 51 DEG 09 MIN 00 SEC W 89.8 FT, TH N 38 DEG 51 MIN 00 SEC E 56.09 FT TO POB

**Property Address:** 420 & 422 Detroit Street  
Ann Arbor, Michigan

**Parcel ID No.:** 09-09-29-116-028

**Legal Description:** LOT 139 & PRT OF LOT 140 DESC AS BEG AT NWLY COR OF LOT 140, TH S 68 DEG 04 MIN 26 SEC E 83.1 FT, TH S 03 DEG 56 MIN 51 SEC W 33.76 FT, TH N 68 DEG 31 MIN 00 SEC W 42.68 FT, TH N 44 DEG 02 MIN 00 SEC W 27.56 FT, TH N 50 DEG 58 07 SEC W 30.74 FT, TH N 38 DEG 51 00 SEC E 12.72 FT TO POB. 2353 SQ FT. ASSESSOR'S PLAT NO 29

**Property Address:** 322 E. Kingsley Street  
Ann Arbor, Michigan

**Parcel ID No.:** 09-09-29-116-010

**Legal Description:** LOT 141 ASSESSORS PLAT NO 29

# Table 1

## Summary of Costs for Eligible Activities

<b><u>MEGA Eligible Activities</u></b>	<b><u>MEGA Request</u></b>
Demolition	\$ <u>66,000</u>
Lead and/or Asbestos Abatement	\$ <u>25,000</u>
Infrastructure Improvements	\$ <u>58,500</u>
Site Preparation	\$ <u>385,400</u>
<i>Sub-Total</i>	\$ <u>534,900</u>
Contingency (indicate 15%)*	\$ <u>80,235</u>
<i>Sub-Total</i>	\$ <u>615,135</u>
Interest**	\$ <u>203,156</u>
Brownfield/Work Plan Preparation***	\$ <u>10,000</u>
MEGA Review Cost	\$ <u>1,000</u>
<b>MEGA TOTAL</b>	<b>\$ <u>829,291</u></b>
<b><u>DNRE Eligible Activities</u></b>	<b><u>DNRE Request</u></b>
Baseline Environmental Assessment	\$ _____
Due Care Activities	\$ _____
Demolition	\$ _____
Environmental Insurance	\$ _____
<i>Sub-Total</i>	\$ _____
Contingency on 381 costs (indicate 15%)*	\$ _____
<i>Sub-Total</i>	\$ _____
Brownfield/Work Plan Preparation***	\$ _____
DEQ Review Cost****	\$ _____
<b>DEQ TOTAL</b>	<b>\$ _____</b>
<b>GRAND TOTAL OF ELIGIBLE ACTIVITIES (MEGA + DNRE)</b>	<b>\$ <u>829,291</u></b>