



*We're Open for Business.*

## **2016-17 Annual Report & 2017 TIF Update**

January 10, 2018

### **Sure and Steady.**

The primary goal of the DDA is to provide for and to facilitate an environment attractive to business investment. Over the past 18 months, DDA work in the district has been to assure that the maintenance and operations of the public spaces are complete, to work with private businesses in their decision making and to steward the public funds directed to the TIF district appropriately. With an effort towards seamless management, the DDA fulfills its purpose with sure and steady leadership, using available management tools and resources.

The DDA appreciates Downtown's influence on Frankenmuth's identity, as well as the importance it has on tourism (Frankenmuth's economic driver.) To that end, the DDA strives to keep the district visually stunning. The DDA district is defined by local ordinance. A map of the district is included in **Appendix A.**

With TIF its primary revenue source, the DDA has directed the use of TIF dollars on the "big projects," including those projects that can't be funded by others or without partnerships. While new projects are worthy of special attention, the DDA does not forget the responsibly and obligation to maintain the existing streetscape. ***But for the TIF plan***, the City by itself would have been unable to provide the kind of major investment needed to improve, maintain, and manage the improvements to the public infrastructure and services already achieved within the district.

### **July 2016 – December 2017 Highlights.** These events highlighted the DDA's past year:

The Board expressed thanks for his 20 years of service to the board to long term member, Art Loeffler (Mayor Pro Tem/Star of the West), who retired as City Councilman in November. The DDA welcomed Councilwoman Vickie Schmitzer (Frankenmuth Credit Union) as the Mayor's representative on the DDA Board.

The board also thanked members Leone Koester and Tom Erdman, who did not renew their membership on the board for the coming four-year term. New members will be appointed in their place to maintain board membership of 13. Member Mary Ann Hiles was elected Secretary, to replace Leone Koester.

In December of 2016, amendments to Tax Increment Finance legislation were approved at the State level and signed into the law by the Governor. The DDA petitioned against the legislation in favor of more comprehensive approach: to keep what works and to change what needs to be changed. At this

time, new legislation had no impact on the operations of the DDA. With the assistance of TIF funding, the DDA has provided the public investment for multiple projects that enabled new and sustained private investment creating new tax revenues (including School Tax Revenue) and new jobs. These jobs not only support employment in Frankenmuth, but in the southeast corner of Saginaw County, northern Genesee County and western Tuscola County.

The DDA repainted light poles on Main Street (from Jefferson Street to Tuscola Street) completing this multi-year project, the bridge flower boxes and all trash cans within the district at a cost of \$29,576.

The DDA participated with the City in a payoff of the portion of a streetscape special assessment bond for the area on Main Street between the River and Jefferson Street (commonly called 3A.) The action saved interest debt/money for the City and for property owners on their respective portions. Payments from property owners within the area will continue to be received by the DDA without acceleration of the payoff schedule.

The DDA will participate with the City in the state sponsored “Redevelopment Ready Communities” program in an effort to improve economic development activities within the City.

In late 2017, the DDA approved the conversion of 100 high pressure sodium lamps on Main Street from the Cass River to Tuscola Street to LED lights at an estimated cost of \$150,000. This action provides for more improved energy use, for consistent and improved street lighting and facilitates the relocation of the Cheese Haus to its new address at 545 S Main Street. The \$5+ million project will provide an improved retail experience for cheese and related products, expanded cheese spread manufacturing, a second floor event space, new platz areas anchored by a relocated and iconic “Mouse” sculpture and a “figurenspiel”. Construction is slated to begin in early January 2018.

### ***The Role of the DDA.***

**Projects:** Activities initiated, fostered, completed and/or funded by the DDA over the past 18 months include:

- **Complete Streets Project.** The Complete Streets Task Force completed its study and recommendations regarding “Complete Streets in June 2017. In addition to funding a share of the consultant’s fee, DDA staff provided administrative service to the task force. Community improvements have been seen adjacent to the schools. Projects will be investigated/online as funding and interest develops.
- **Palmer Gateway Arch Project.** Collaborating with the City and the Frankenmuth Community Foundation, the DDA provided the services of DDA staff to assist with resolution of the complex Arch project and its construction. The project is on target for completion by April 15, 2018.
- **City Beautification Christmas Gift from Midland.** Accepting a gift from a private company from Midland, the City Beautification Fund worked through DDA staff to install new decorations. With a gift from the McClellan family, street trees on Main Street from the Cass River to Tuscola Street were decorated with LED lighting. LED lighting will remain in place from October to April, under a 3 year agreement with the McClellan family.

- **District Maintenance.** The DDA continues to pay for maintenance (including the cost of DPW labor and outside contracts and utilities) of the investments in greenspace and public amenities made in the district by the DDA over time through streetscaping. In 2016-17, the DDA spent more than \$325,000 on district maintenance. The DDA is committed to keeping the district, *visually stunning*.
- **Reimbursement of City Expenses.** In addition to expenses for streetscape and other maintenance requirements by the DDA, the DDA reimburses the City for actual expenses related to office operations necessary to sustain the office including supplies, telephone, legal, insurance and the like. The DDA also reimburses the City for services provided by its professional staff in the amount of \$60,000.

**Partnerships.** Mindful of the need for stewardship of the public funds entrusted to it, the DDA knows that it functions best in partnership with others, including, the City of Frankenmuth, the Economic Development Corporation (EDC,) the Frankenmuth Chamber of Commerce and Convention and Visitors Bureau (CVB,) the Beautification Committee (CBC) and the Cass River Greenway. Our partnerships gain skills and strength through relationships with other City departments, area businesses, event sponsors and non-profits.

In addition to working closely with these organizations, the DDA continues to network with other agencies including Saginaw Future, the Saginaw Chamber of Commerce, the Small Business & Technology Development Center, Great Lakes Bay Regional Alliance, the Michigan Downtown Association, and Michigan Economic Development Corporation.

While the DDA has specific powers and tools to carry out its mission, the Board of Directors collaborates to achieve what is good for both the district and community. The DDA district is a jobs provider and producer, a benefit to the City and region.

**The Board of Directors.** The DDA is organized by City ordinance according to Michigan Public Act 197 of 1975. The Mayor, with consent of the City Council, appoints the DDA Board of Directors. In all, there are thirteen appointed members. Members serving during this time period include:

Wayne Bronner Chairman (Bronner’s Christmas Wonderland)	Randy Bierlein (Schaefer & Bierlein)
Al Zehnder Vice Chairman (Zehnders of Frankenmuth)	Lyle Davis (DML Management)
Dave Johnston (Treasurer, Bavarian Mall)	Tom Erdman (Nuechterlein Electric) retired
Leone Koester (Secretary, Koester Builders) (retired)	G. Grossi (DaVinci’s Restaurant)
Art Loeffler (Mayor Pro Tem) Retired,	Mary Anne Hiles (Worden Interiors)
Vickie Schmitzer (City Council, Frankenmuth Credit Union)	Judy Zehnder Keller (Bavarian Inn Lodge)
	Brian McLeod (Frankenmuth Insurance)
	Will Rummel (Property Owner/Resident)

Ex-officio members include City Manager Bridget Smith, Chamber of Commerce President Jamie Furbush, and EDC Chairman Chris Rittmueller. Sheila Stamiris serves as the staff of the DDA.

**DDA Role in the City at large.** The DDA employs one employee, the Executive Director. As the administrator of the DDA, the Executive Director is enabled and authorized to work autonomously on projects and community opportunities as they evolve. These projects include activities directly related to Downtown development including business retention and attraction, general economic development, public relations, relationship and network development, fund-raising, grant writing and administration, and event planning, among others.

In the spirit of cooperation with the City and other organizations, the DDA has provided services from its office to assist with these important initiatives, including:

- Ongoing technical assistance to the Frankenmuth Economic Development Corporation (EDC.) In a “one-stop” fashion, the City provides one point of contact for economic development, including the Frankenmuth Business Park, within the City;
- Work on behalf of the Palmer Foundation to build the arch, the City Beautification Committee to deploy the new Christmas decorations plan and the coordinating the Complete Street plan for completion and implementation.

**Tax Increment Finance Review.** The primary funding source of the DDA is the municipal finance tool, Tax Increment Financing or **TIF**. Simply put, TIF enables municipalities like Frankenmuth to fund public improvements within a TIF district without raising taxes. The TIF plan was put into place in Frankenmuth in 1994; the impact of the TIF plan has been powerful with investment in major public improvements including construction or and engineering for: streetscaping, storm sewer and sanitary sewer improvements, and ongoing maintenance. *Leading with public investment, the City sustains and attracts private investment and jobs creation.* The TIF plan sunsets (is no longer operational) in 2044.

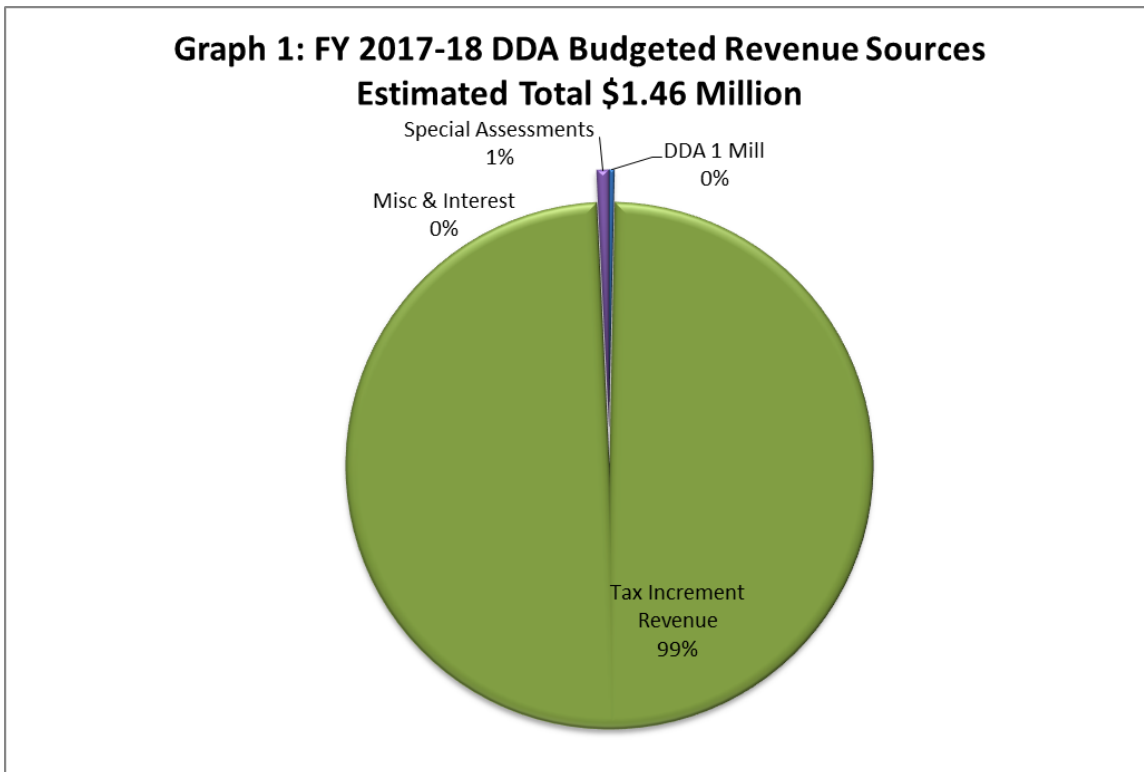
Since 1994, the growth trend for the DDA has been steady, but for a few break-out years with the investment of big projects. While in 2010-2014 the DDA experienced decline in property values and resulting declines in captured tax revenue, the fund continues to recover. In the last two years, revenue increases have been low, but stable, with growth at 1% or less.

By law, the DDA will capture only taxes generated by non-school (K-12) taxing authorities including the City of Frankenmuth, the Wickson District Library, Saginaw County, Delta College and the DDA (itself.) In total, the DDA district will generate about \$5.3 million in tax dollars of which more than \$4 million will be paid to the taxing jurisdictions. The DDA has budgeted to collect close to 1.3 million in TIF revenues in this fiscal year (17-18), representing about 1% increase over last year. A breakdown of how taxes are captured by the DDA is included in the spreadsheets and illustrated by the graphs shown in **Appendix B.**

Millage levied by the City of Frankenmuth within the district is subject to capture. When comparing the total City of Frankenmuth tax dollars captured to all others (that being of the Library, the County, Delta College and the DDA,) the City’s portion is 41%. That is, for every 41 cents captured, the City invests in the TIF plan, 59 cents is contributed by others, as illustrated in Appendix A.

**Fiscal Responsibility.** The approved budget for fiscal year 2017-18 is balanced, anticipating unused or unallocated revenue to be reserved for future projects. The audit for 2016-17 is complete with the DDA adding over \$90,000 to its fund balance. After years of using fund balance to meet budget requirements, the board has replenished its Capital Projects Replacement Fund and continues to set aside funding for pre-paid Special Assessments.

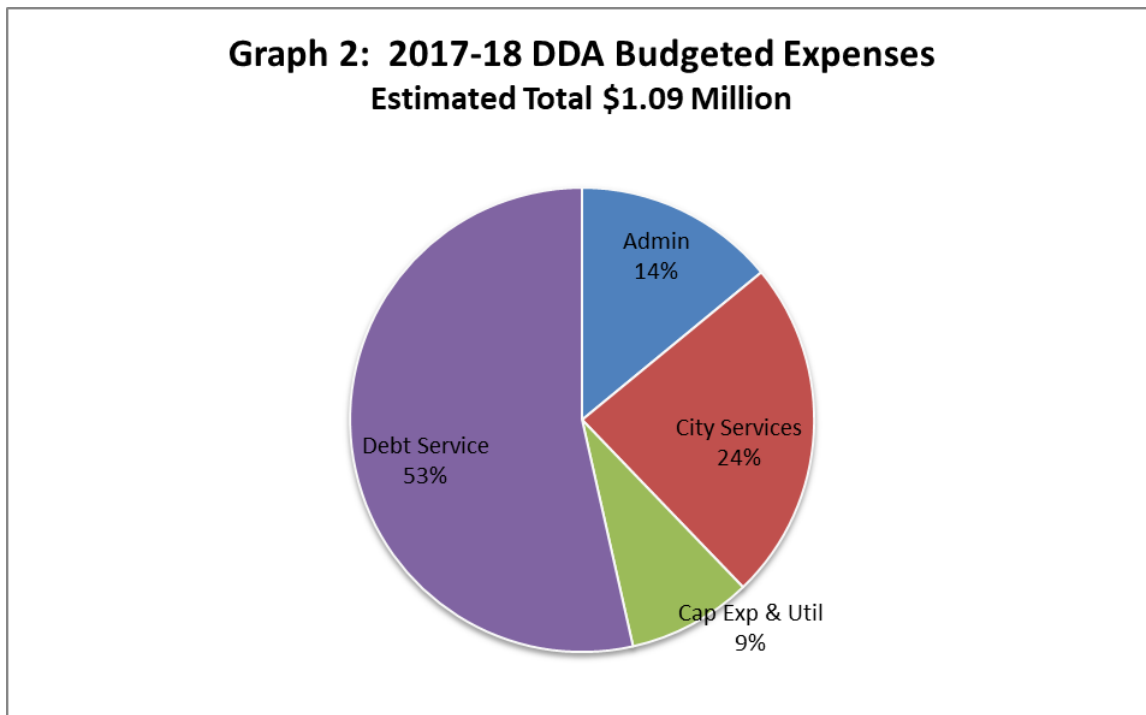
**Budgeted Revenues & Expenses / FY 2017-18.** When the budget was originally proposed and approved in February of 2017, the final property tax values had not yet been established at the County level. Since that time, the City Treasurer has provided the DDA a revised budget amount for Tax Increment Revenue - the primary revenue source for the DDA. Total DDA revenues are estimated at \$1.46 million, including about \$1.3 million in captured Tax Increment Revenue (TIF) about \$42,000 from the one mill levied by the DDA on district properties and \$99,628 in special assessment revenue. TIF provides 99% of all DDA revenues. Graph 1 illustrates the importance of TIF revenue on the DDA budget.



Expenses, inclusive of special assessment debt service payments, are conservatively estimated near \$1.09 million with little change in the cost of general management of DDA operations expected. Expenses difficult to forecast include increasing health care costs for all staff members (including DPW employees) whose time is billed to the DDA. The Levee remains a large part of the DDA budget, but delays in approvals have delayed expenditures and new bond debt payments. (Graph 2 illustrates how the DDA allocates its expenditures.)

The DDA retains debt service payment schedules for four TIF-bond issues: the 2012 Dam Project, the South Side Sanitary Project, the South Side Sanitary Project Overage and the 2015 Refinanced Bond. Total payments for TIF funded bonds in 2017-18 are \$469,910 estimated at 37% of the total TIF

Capture. Inclusive of Special Assessment Debt Service payments, debt payments equal 53% of all DDA revenues. The DDA retains total bonded indebtedness of \$2,796,500 (principal only) or \$3,225,812 (total payments of principal and interest.) All current debt will be paid in full by 2032.



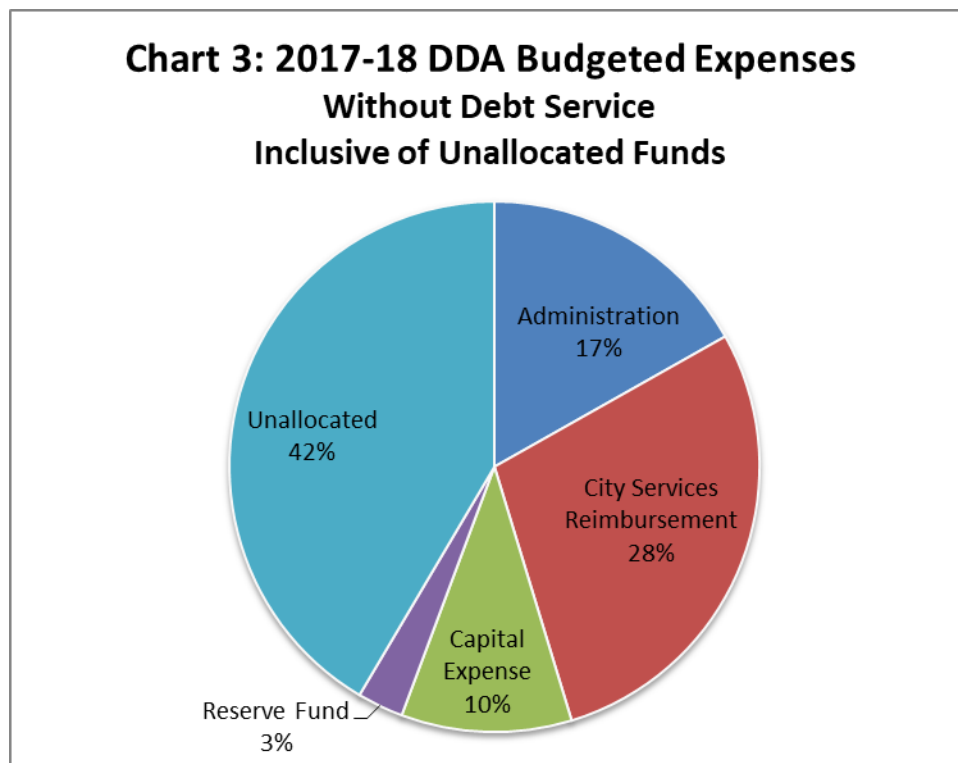
After bond payments, unallocated or discretionary income is estimated at \$840,000 (or the difference between estimated tax increment revenue/special assessment revenues and debt service) for FY 2017-18. The funds are allocated to expenses including: Administration (staff, office and outreach,) Capital Expense (Utilities and Contracts,) City Services Reimbursement and Capital Reserve Fund.

It is the DDA goal to keep unallocated funds (funds left after planned expenses) in reserve to return the DDA’s fund balance to a minimum of \$250,000, a restriction the DDA placed on itself in 2000 to be used for debt service, as a hedge against unplanned shortfalls or as an opportunity fund for the “next big thing.” A portion of uncommitted funds (\$25,000) will be earmarked for the Capital Improvements Reserve Fund for repair or replacement of large systems such as irrigation or electrical services.

A special opportunity to replace the High Pressure Sodium lamps on Main Street streetlights between Tuscola and the River with LED lights presented itself in late 2017 in tandem with the privately funded Cheese Haus expansion project. The estimated cost of the LED lighting project is \$150,000 and will be completed in January 2018. The City and DDA share electricity costs for street lighting at a ratio of 1 to 3 (City to DDA.) Replacing the lighting fixtures to LED will reduce the cost of electricity for both organizations annually. Lighting quality and consistency will improve and maintenance costs for both the lighting and irrigation systems will be reduced.

As shown in Chart 3, the City Services reimbursement line item, budgeted at \$252,897 equals a little more than one third (28%) of the available discretionary funds for the DDA after debt service and

recognition of unallocated funds. The DDA reimburses the City for all materials, tools and equipment used in the office and in the field, on administrative services provided to the DDA by the professional and clerical staff, and for reimbursement for all expenses related to work by the DPW. The DDA shares fifty percent (50%) of expenses for the legal defense fund related to tax appeal challenges and expenses for the Levee project. The DDA contributes \$2500 to the City Beautification Fund annually.



The DDA pays 100% of the salary and compensation package provided to its staff person, Sheila Stamiris, DDA director. The DDA does not charge her time (more than 400 hours or about one fifth of total annual hours) to other City departments for her personal assistance with City-at-large needs.

**Vision.** The overarching goal of the DDA is to create an investment worthy community: benefitting the investor and City both. Frankenmuth’s long-term commitment to good planning, city beautification and collaboration sets an ideal stage for the introduction of such concepts and growth in the downtown district. The commitment by property owners to invest and reinvest in their properties, businesses and employees is the fuel that drives the success of the district. The DDA is committed to maintaining the appeal of the district for property owners, business owners, customers, and residents.

The DDA vision brings collaboration to the main stage – creating and sustaining a successful commercial center through comprehensive management, incremental successes and partnerships, good planning, and strong communication. Coordinating successful projects and programs requires dedicated, hands-on management to work with current and new business investors, to coordinate development planning, to provide outreach to build partnerships and to anchor the focus of district initiatives. The DDA continues to invest in the “big projects,” to keep the district visually stunning and to build and maintain partnerships.

The next big project for DDA funding is the levee project. The DDA committed to pay one half of the debt service (estimated at \$180K annually for a \$6.5 million bond) for the levee project. The delay in the levee project provided an immediate opportunity and benefit to improve district operations and maintenance. With the levee project in process, the DDA will complete the streetscaping adjacent to Eddie Zehnder Park.

### **Remaining Consistent to the DDA Mission.**

The Board of Directors, on behalf of the DDA and its constituents, appreciates the opportunity to serve the City of Frankenmuth, its businesses and its citizens.

The purpose of the DDA is stated in its bylaws:

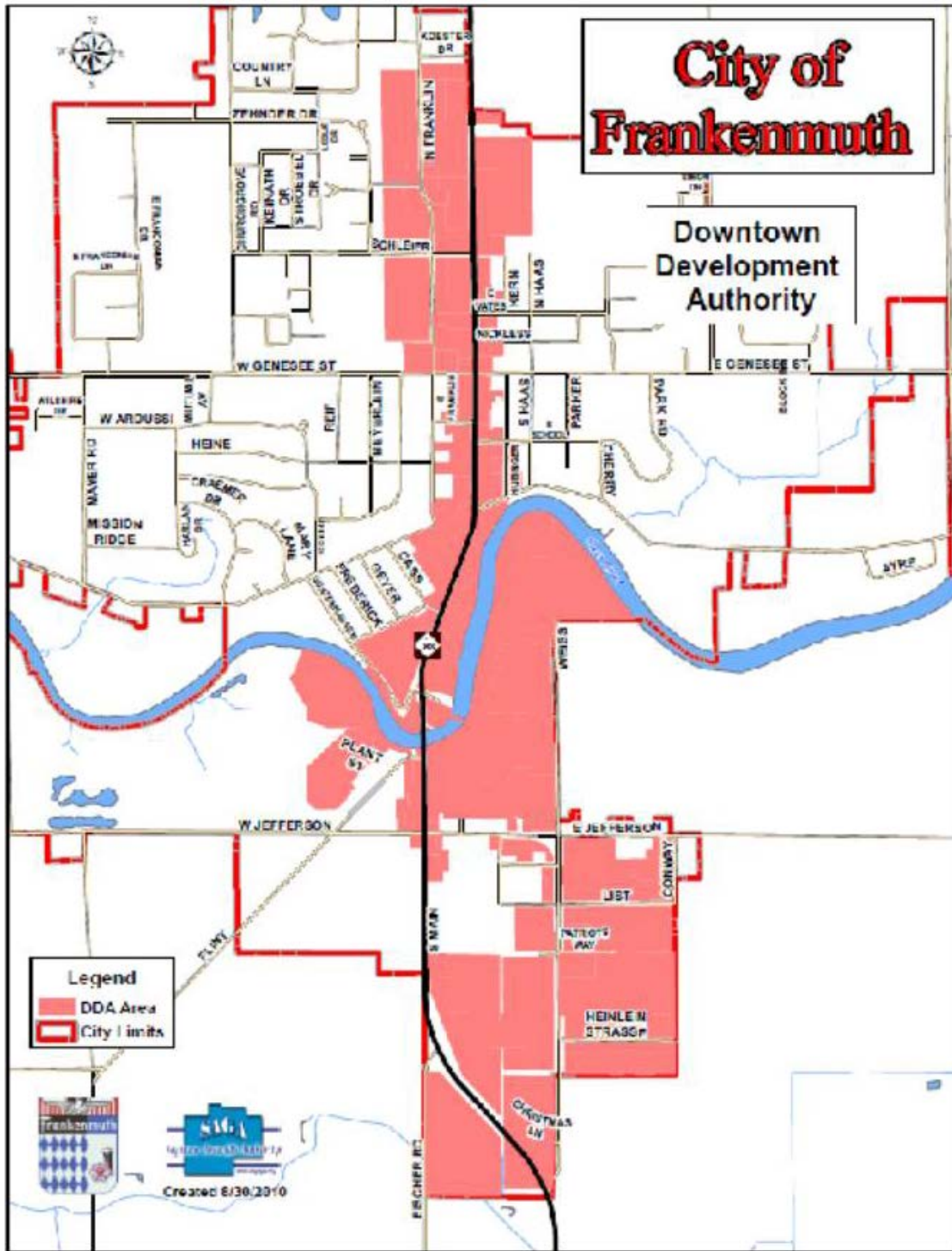
- Analyze the impact of economic changes and growth in the Downtown district;
- Develop plans in coordination with the City's Planning Commission;
- Promote orderly and economic growth in the Downtown district;
- Implement a development plan to achieve the purposes of the Development Act;
- Strive to promote economic growth, halt property value deterioration, eliminate the causes of that deterioration, and properly and reasonably use the powers of the DDA.

The commitment of the Board of Directors to fulfilling this purpose remains strong and purposeful.

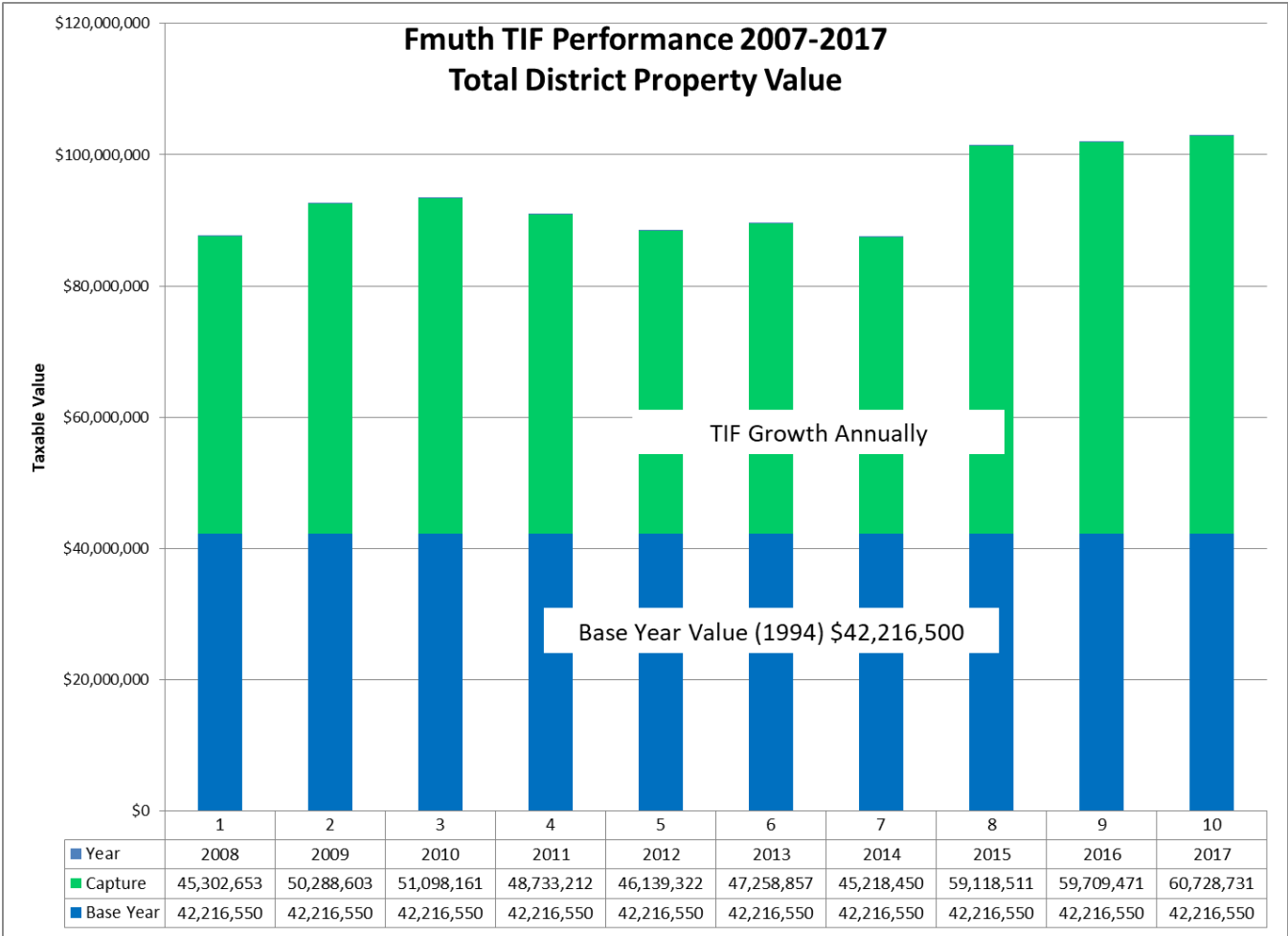
Thank You.



# Appendix A: DDA District Map



# Appendix B: Tax Increment Finance



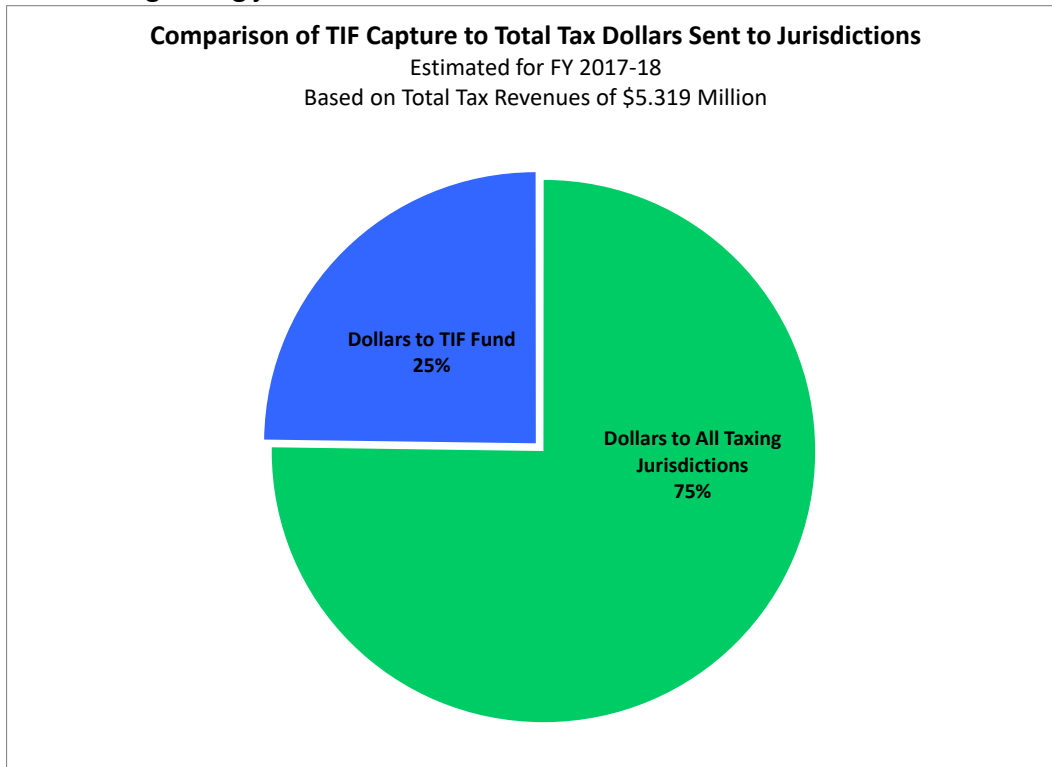
The TIF plan has been in place since 1994; this graph shows the 10-year period 2008-2017. The TIF realized significant growth (>12%) in FY 2015-16. Last year, the fund grew by 0.5%. In this FY (2017-18) the DDA projects 1% growth. The TIF was amended by ordinance in December 2014, extending it until 2044.

Estimated Tax Generation & Capture by Taxing Jurisdiction FY 2017-18						
Taxing Jurisdiction	Annual Millage 2017-18 (A)	Base Year: 1994 Continuing to Taxing Jurisdictions (B)	Estimated Payments to Taxing Jurisdictions 2017-18 (C=AxB)	Captured Taxable Value Estimate* 2017-18 (D)	FY 2017-18 Budgeted** Tax Increment Revenue Capture (E=AxD)	% of Total to Each Taxing Jurisdiction (F=E/Total)
<b>Total Property Value in District</b>			<b>C=AxB</b>		<b>102,945,281</b>	
<b>Eligible for Capture</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Downtown Development Authority	1.00000	\$ 42,216,550	\$ 42,217	\$ 60,728,731	\$ 60,729	5%
City of Frankenmuth*	9.00000	\$ 42,216,550	\$ 379,949	\$ 60,728,731	\$ 546,559	41%
District Library	0.85000	\$ 42,216,550	\$ 35,884	\$ 60,728,731	\$ 51,619	4%
Delta College	2.04270	\$ 42,216,550	\$ 86,236	\$ 60,728,731	\$ 124,051	9%
Saginaw County	8.81600	\$ 42,216,550	\$ 372,181	\$ 60,728,731	\$ 535,384	41%
<b>Total Estimated Capture (F)</b>	<b>21.70870</b>		<b>\$ 916,466</b>		<b>\$ 1,318,342</b>	<b>100%</b>
		<b>2017-18 Estimated Total Taxable Value</b>	<b>Estimated Paid to These Taxing Jurisdictions 2017-18</b>			
<b>Ineligible for Capture</b>						
Intermediate School Millage	2.08720	\$ 102,945,281	\$ 214,867			
State Educational Levy	6.00000	\$ 102,945,281	\$ 617,672			
Frankenmuth School District Levy on Non-Homestead Properties	17.61380	\$ 102,945,281	\$ 1,813,258			
Frankenmuth Schools: Debt	4.26000	\$ 102,945,281	\$ 438,547			
<b>Total Non-Captured (G)</b>	<b>29.96100</b>		<b>\$ 3,084,344</b>			
<b>Total Millage (F+G)</b>	<b>51.66970</b>					
<b>Total Paid to Taxing Jurisdictions (Estimated) (F+G)</b>			<b>\$ 4,000,810</b>	<b>75%</b>		
<b>Total Captured (Estimated) (E)</b>			<b>\$ 1,318,342</b>	<b>25%</b>		
<b>Total Taxes Generated by DDA District (Estimated)</b>			<b>\$ 5,319,152</b>	<b>100%</b>		

This spreadsheet is prepared with estimates based on the tax dollars levied within the district for FY 2017-18. As estimated in the budget and presented in the text of this report, the captured tax revenue is estimated conservatively at \$1.302 million; as shown on this spreadsheet in column "E," the capture is estimated \$1.318 million (a mathematical calculation.) Because the calculations on this page represent the mathematical formulas used to prepare TIF budgets, this is a model used to forecast tax capture and illustrate the concept; this chart does not reflect the actual tax revenues collected. These calculations are prepared for discussion only.

In 2017, one tax appeal case by Huntington Bank is active.

For every dollar in tax revenue generated in the district by the specific taxing organizations, \$0.75 is returned to the issuing taxing jurisdiction.



For every \$0.41 in City of Frankenmuth tax revenue generated in the district, \$0.59 is retained in the district from other affected taxing jurisdictions.

