

**2018-19 DDA
Board of
Directors**

Wayne Bronner,
Chair --Bronners
CHRISTmas
Wonderland

Al Zehnder,
V-Chair -- Zehnder's
of Frankenmuth

Mary Ann Hiles,
Secretary
Worden Interiors

Dave Johnston,
Treasurer
Bavarian Mall

Randy Bierlein
Schaefer & Bierlein

Lyle Davis
DML Management

G. Grossi
DaVinci's

Judy Keller
Bavarian Inn Lodge

Zak McClellan
McClellan
Properties

Brian McLeod
Frankenmuth
Insurance

Will Rummel
Resident

Vickie Schmitzer,
City Council
Frankenmuth Credit
Union

Scott Zimmer
Air Advantage

Ex-Officio Members

Jamie Furbush
Frankenmuth
Chamber & CVB

Bridget Smith
Frankenmuth
City Manager

Staff

Sheila Stamiris

2018 Annual Report

October 2, 2018

The Frankenmuth DDA facilitates an environment attractive to business investment within the Downtown Development Authority district.

DDA Organization:

- o Enabled by Michigan Public Act 57 of 2018 and governed by local ordinance. A map of the district is included in **Appendix A**.
- o Meeting Dates scheduled monthly for the second Thursday, at 1:30 PM in City Township Government Center in the Meeting Chambers. All meetings are open to the public.
- o Board Membership totals 13 of an allowable 13. Officers and Members are listed.

Recent Accomplishments:

- o Welcomed new board members, Zak McClellan and Scott Zimmer.
- o Completed the LED Replacement Project for the area on Main Street between Tuscola Street and the River for a cost of \$105,000. Ordered replacement modules for the area on Main Street between the River and Jefferson Street for an additional \$35,000. Work is to be completed in coming months. The LED project will reduce electricity costs for the DDA and the City, which shared costs 75%/25% respectively.
- o Continue to share funding with the City for both the Dam Remediation project engineering and analysis and Levee Project design.
- o Discontinued annual recalculations of the Special Assessment levies on properties. Properties in the original Phase 1 (River to Genesee St.) will payoff in FY 19-20. Properties in Phase 2 (North Main) will payoff in FY 23-24. Weiss Street properties will payoff in FY 22-23. While the DDA prepaid the Special Assessment bonds for Phase 3a (River to Jefferson,) property owners will pay a significantly reduced rate (1.35%) through payoff in FY 25-26.
- o Planned replacement of historical information signs on the east side of Main with new photos and information by the end of October 2018. Display designs have been modified for easier replacement and updating.
- o Recommended zoning restrictions regarding the prohibition of LED Window Frame lighting and the placement of wireless technology on City-owned street light poles.
- o Recommended full evaluation of the site plan for the future FYSA Recreation Center and environs and the development of an emergency services plan for Heritage Park before in depth discussion regarding this island on Weiss Street north of Jefferson. The cost to remove the island is estimated at \$42,000.
- o Participant in the MDOT-sponsored Access Management Plan for Main Street, south of Tuscola Street.

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 a jobs provider and producer, a benefit to the City and region.

With TIF its primary revenue source, the DDA has directed the use of TIF dollars to 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 responsibility 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.

Project Partnerships & Assistance

While the DDA has specific powers and tools to carry out its mission, the Board of Directors collaborates with others to achieve what is good for both the district and community. DDA partners include (among others): City of Frankenmuth, Frankenmuth Economic Development Corporation (EDC), Frankenmuth Chamber and CVB, City Beautification, Saginaw Future, Various civic organizations and foundations, and the private sector.

The DDA provided direct assistance to the Frankenmuth Community Foundation to complete the Palmer Gateway Arch, to City Beautification for the annual Christmas displays, to the EDC for general management and to the Bavarian Festival Friday Night Street Party.

Finances & Fiscal Responsibility.

The primary funding source of the DDA is the municipal finance tool, Tax Increment Financing or **TIF**. In place since 1994, the impact of the TIF plan has been powerful with investment in major public improvements including engineering and/or construction for: streetscaping, storm sewer and sanitary sewer improvements, and ongoing maintenance. Leading with public investment, the City, with the assistance of the DDA, sustains and attracts private investment and jobs creation.

While the audit for FY 2017-18 (ending June 30, 2018) is not yet complete, the preliminary report is positive, with the DDA fund balance returning to acceptable levels as bond debt decreases. Total Revenue in this period is estimated at \$1.5 million. After Expenses (estimated at \$1.22 million), the DDA anticipates adding \$284,000 +/- to its undesignated fund balance, bringing the “rainy day account” to just over \$350,000. It is the DDA goal to keep this fund at 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 project.”

As shown in the Revenues Chart (see **Appendix B**), TIF funding makes up 88% of the DDA’s revenue. Miscellaneous Income (13%) is extraordinarily high (as compared with FY 2016-17 when it was 1% of all revenue.) Consumers Energy reimbursed the DDA for work completed on the City’s lighting system during the LED Conversion Project.

DDA Expenses (see **Appendix C**) remain consistent with the intent of the DDA to 1.) Pay bond and other debt, 2.) Keep the district visually stunning and 3.) Repay the City for expenses incurred on its behalf, including labor and equipment use within the district. During this period, TIF-backed bond debt totaled \$2.15 million (principal only) with the annual debt service payments totaling \$616,933. Current DDA bond debt will be fully paid in FY 2032-33, with the payoff of the South Main Sanitary Project bond.

While the DDA did not budget for the LED Conversion Project, there were sufficient funds on hand to pay for the upgrades to the Street Lighting System. During this fiscal year, the DDA also partnered with the City pay off the Special Assessment Bond for Phase 3A, saving both the City and property owner within that phase of the streetscape project money. Special Assessments are not the responsibility of the DDA, but DDA account is used as a pass-thru for collecting special

assessment revenue and making needed payments.

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 2017-18, the DDA spent more than \$325,000 on district maintenance.

In addition to expenses for streetscape and other maintenance requirements, the DDA reimburses the City for actual expenses related to office operations necessary to sustain the office. The DDA also reimburses the City for services provided by its professional staff in the amount of \$60,000 and makes an annual contribution to the City Beautification Fund in the amount of \$2,500. The DDA funds an equal share of tax appeal defense fees, and engineering services for the Dam and Levee Projects.

About Streetscape Management

The DDA is pleased to partner with the City Beautification Committee (CBC) to keep the district “visually stunning.” In a review of direct expenses for landscape management, the total cost is slightly more than \$150,000, with the DDA paying 82% of the total cost. Costs include all supplies, labor, equipment, contracts, and irrigation.

Vision.

The overarching goal of the DDA is to create an investment worthy 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 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. The DDA continues to invest in the “big projects,” to keep the district visually stunning and to build and maintain partnerships.

In 2019, the DDA will replace the crosswalks at Jefferson and Main, using fund balance to pay for the upgrade. The DDA is working collaboratively with the City and affected property owners on the levee project. The DDA remains committed to pay one half of the debt service (estimated at \$180K annually for a \$6.5 million bond) for the levee project. With the levee project in process, the DDA will complete the streetscaping adjacent to Eddie Zehnder Park.

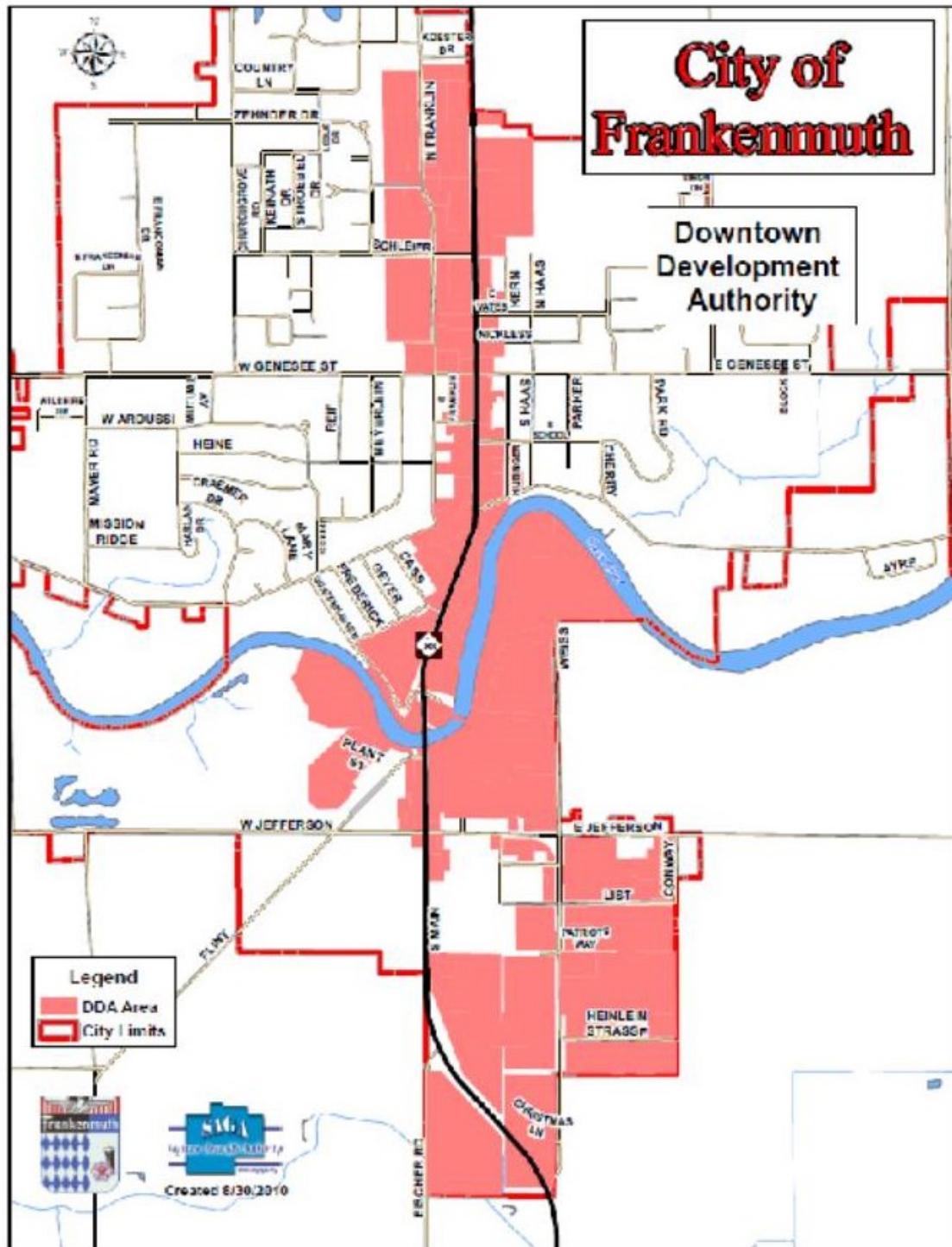
Remaining Consistent to the DDA Mission.

The Board of Directors 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.

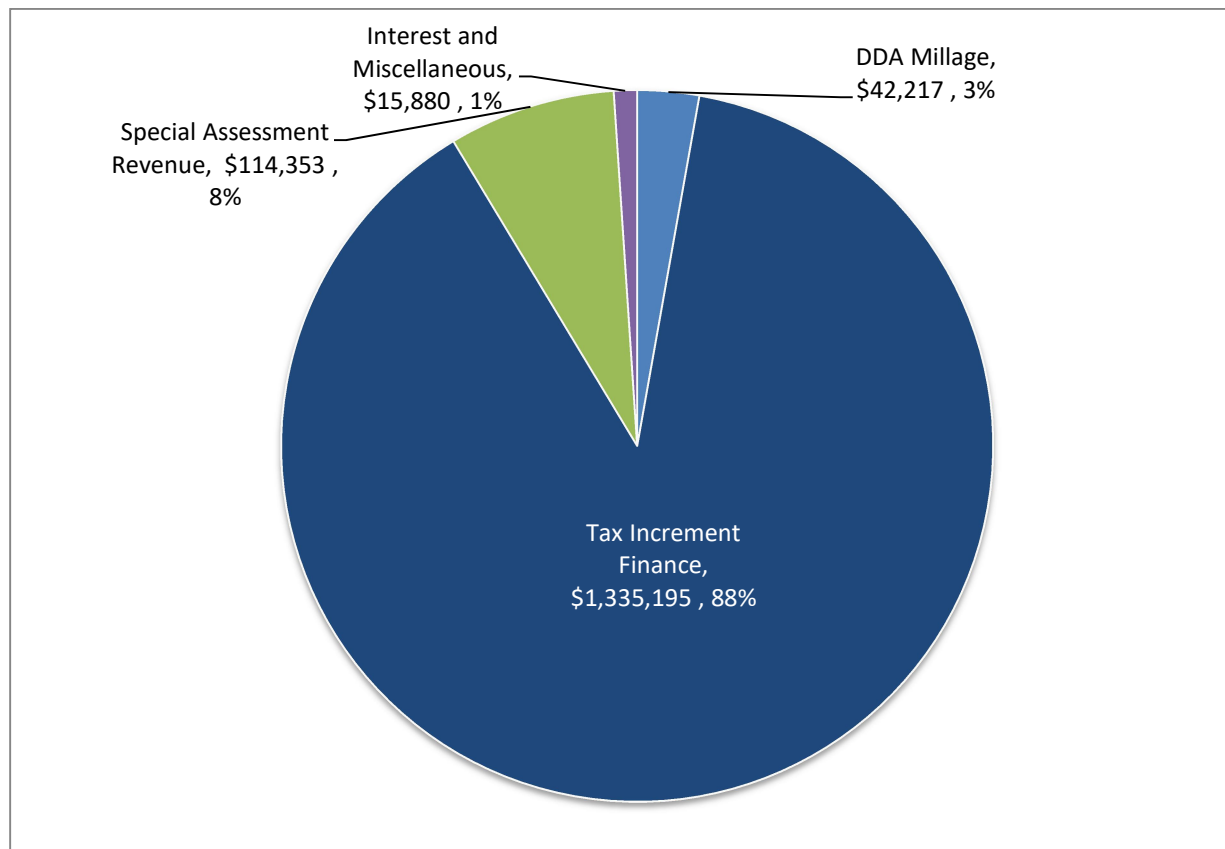
Appendix A: DDA District Map



DDA Revenues

FY 2017-18

Not Audited; For Discussion Only



Total DDA Revenues: \$1,507,644

DDA Millage.

Property owners within the district pay an additional 1 mill to support the operation of the DDA office.

About Tax Increment Finance (TIF)

Tax Increment Financing is a financial tool widely used by local governments to promote economic development and redevelopment. The TIF process splits tax revenue generated from properties within the TIF district into two components: Base revenues ... and Incremental revenues ... These (incremental) revenues in excess of the base revenues are generated by development projects...¹ (to fund public improvements within the designated district.)

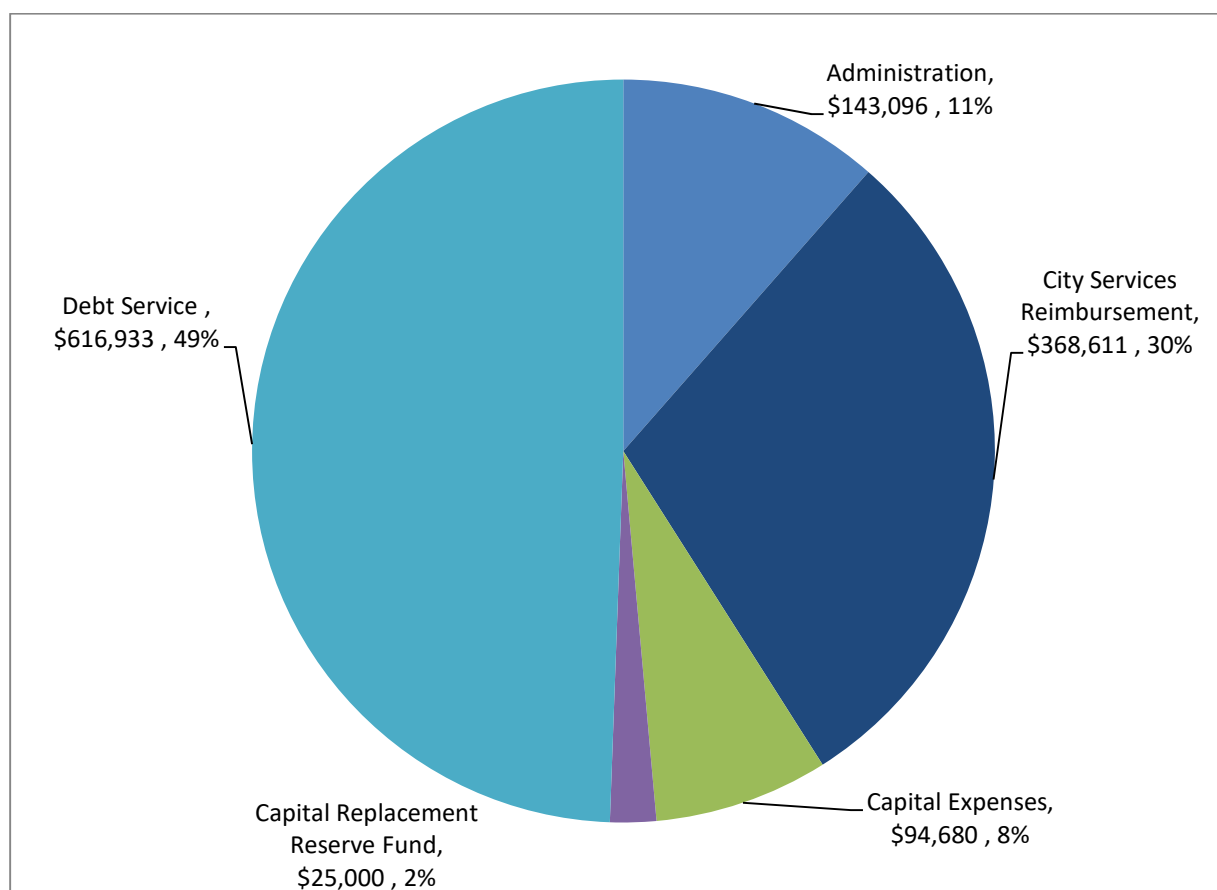
The Frankenmuth TIF Plan was amended in October 2014, by a vote of the City Council. The amended TIF plan details the projects the district will fund with TIF revenues and sets a “sunset” date (the date the TIF plan is completed) in 2044.

¹ **An Elected Officials Guide to Tax Increment Financing**, by Nicholas Greifer for the Government Finance Officers Association 2005

DDA Expenses

FY 2017-18

Not Audited; For Discussion Only



Total DDA Expenses: \$1,248,320.

Highlights:

- **Administration:** The DDA employs a full time director to guide the day to day operations of the authority. This category includes costs of the employee, office operations (copies, telephone, office supplies etc.) professional services and miscellaneous expenses.
- **Reimbursement of City Services:** All expenses incurred by the DDA are tracked daily and billed to the DDA. These include labor, equipment, and supplies. In 2017-18, the DDA paid to retrofit street lights on Main Street with new LED systems. With supplies purchased from a vendor, all labor and equipment were provided by the City's workforce and related costs were expensed to the DDA. The DDA paid the City \$60,000 for professional management and clerical services and the CBC \$2500 for beautification efforts.
- **Capital Expenses:** The DDA pays for water used within the district for irrigation and for 75% of the energy bill generated by the street lighting system within the district. Outside contracts includes lawn mowing of the islands on Weiss Street, irrigation management, and professional engineering services for the Dam and Levee Projects.
- **Capital Replacement Reserve Fund:** The DDA set aside funds for future large repairs to the streetscape project.
- **Debt Service.** The DDA pays annual debt service for bond issues for various streetscaping phases. Bond issues include those paid with Tax Increment Finance Revenues and/or Special Assessment Revenues.