

**2019-20 DDA
Board of
Directors**

Wayne Bronner,
Chair --Bronners
CHRISTmas
Wonderland

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

Mary Ann Hiles,
Secretary
Worden Interiors

Brian McLeod,
Treasurer
Resident

Randy Bierlein
Schaefer & Bierlein

Lyle Davis
DML Management

G. Grossi
DaVinci's

Mark Johnston
Subway & T'Dubs

Judy Keller
Bavarian Inn Lodge

Zak McClellan
McClellan Properties

Will Rummel
Resident

Vickie Schmitzer,
City Council
Frankenmuth Credit
Union

Scott Zimmer
Air Advantage

Leone Koester,
Volunteer Advisor
Koester Builders

Ex-Officio Members
Jamie Furbush
Frankenmuth Chamber
& CVB

Bridget Smith
Frankenmuth
City Manager

Staff
Sheila Stamiris
Executive Director



We're Open for Business.

2019 Annual Report

October 1, 2019

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

DDA Organization:

- The DDA is enabled by Michigan Public Act 57 of 2018 and governed by local ordinance. A map of the district is included in **Appendix A**. Newly adopted requirements for PA 57 include these items:
 - Public Meetings will be held in 2019 including the October 1 City Council Meeting and the December 12 DDA Meeting.
 - The posting of specific documents for public review are now located on the City's website at www.frankenmuthcity.com. These documents, include Annual Reports, Minutes, Meeting Dates & Times, Contacts, and General DDA Business Information.
- Meeting Dates are scheduled monthly for the second Thursday, at 1:30 PM in the City Township Government Center in the Meeting Chambers. All meetings are open to the public.
- Board Membership totals 13 of an allowable 13. Officers and Members are listed. The Board received with gratitude for his service of 36 years the resignation of Dave Johnston, an original DDA board member. The Board welcomed new member, Mark Johnston.
- The DDA elected Wayne Bronner (Chairman,) Al Zehnder (Vice Chairman,) Mary Ann Hiles (Secretary) and Brian McLeod (Treasurer).
- The DDA amended its bylaws to create a new, non-voting role of "Volunteer Advisor." The Volunteer Advisor is an individual that has served on the DDA, is a valuable source of wisdom and institutional memory and volunteers at the sole discretion of the DDA. The DDA appointed Leone Koester to the role of Volunteer Advisor.
- Working through the Redevelopment Ready Community (RRC) process, the Board created a Board Member Job Description. A copy can be found at www.frankenmuthcity.com.

Recent Accomplishments:

- With the project now fully in construction, the DDA moved from advocate and funder of engineering to advocate and funder of construction. Previously, the DDA funded 50% of the expenses, shared equally with the City. The DDA is committed to fund 50% of the cost to build the levee improvement project and 100% of the cost to construct the Riverwalk and other amenities designed to improve the aesthetics of the project. The total dollar amount of the project is about \$11.5 million with DDA investment about \$6.5 million or 57% of the total project costs.
- Crosswalks within the District on Main Street were installed in phases between 1997 and 2004. The crosswalks at the intersections of M83 (S. Main Street) and Jefferson and Flint Streets have deteriorated to a point that require replacement. Working with Rowe Engineering, the DDA will test a new, MDOT-approved procedure using Endurablend™ to

replace these crosswalks. Endurablend™ (a polymer-blend cement surfacing product that is environmentally friendly and eye-pleasing) replaces the traditional brick with a product that is easy to install and maintain, saving time and money. In addition to the crosswalk replacements, the DDA will upgrade the sidewalk corners at the southeast and northwest intersection of M83 and Jefferson to ADA (American with Disabilities Act) standards. The work, at an estimated cost of \$250,000, is scheduled for Spring 2020. If this application is successful, other crosswalks in need will be repaired similarly.

- The board approved an engineering contract in the amount of \$4400 with the Spicer Group to “determine what we do not know” about the structural integrity of the Pedestrian Bridge. This contract will include development of an Access Plan to define how to inspect the interior of the EFIS-clad structure, including the development of a list of short term, mid-term and long-term recommendations for appropriate maintenance of the bridge. On behalf of the Frankenmuth River Place project, the Pedestrian Bridge was constructed in 2001 with grant funding in the amount of \$2.6 million from the Clean Michigan Grant Program. The Bridge is owned by the City.
- The DDA supported two requests for endorsement. The Frankenmuth Lions Club applied to the Frankenmuth Community Foundation for funds to renovate the Lions Haus in Heritage Park and Air Advantage applied to the State of Michigan for the “Connecting Michigan Communities” grant for fiber access.
- The DDA joined with the City Council and the Economic Development Corporation (EDC) to support efforts to keep the Caro Psychiatric Facility in Caro. The facility has positive economic impact for jobs and investment in the region and provides needed services to our area.
- The DDA remains a participant in the MDOT-sponsored Access Management Plan for Main Street, south of Tuscola Street. The most recent draft was sent back to MDOT to finalize for future presentation to City Council.
- The DDA initiated a Strategic Planning Process with the assistance of SVSU, through John Kaczynski, Director of Governmental Affairs. Currently, the Board is prioritizing activities for the next 3-5 years in the areas of Access and Transportation, Business Development and Business Operations. As reported in a survey of businesses located within the district, the #1 need voiced by respondents is the finding qualified labor.

The DDA appreciates Downtown’s influence on Frankenmuth’s identity, as well as the importance it has on tourism (Frankenmuth’s primary 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. Since last year at this time, the DDA district has seen new investment of at least \$4 million, including new buildings, upgrades to parking lots and service areas, and additions to existing properties, among others. (This estimate excludes recognition of land purchases.) While not creating a dollar to dollar, investment to tax revenue ratio, the high level of investment signifies the power of the City as an investment destination, a benefit for all property owners within the 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 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.

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): The 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 provides staffing assistance to City Beautification and EDC for general management and shares in funding requirements as needed.

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, street lighting conversions to LED, storm sewer and sanitary sewer improvements, and ongoing maintenance. Facilitating through public investment, the City, with the assistance of the DDA, sustains and attracts private investment and job creation.

While the audit for FY 2018-19 (ending June 30, 2019) is not yet complete, the preliminary report is positive, with the DDA fund balance returning to healthy levels as bond debt decreases. The DDA's unencumbered fund balance (or "rainy day account") will increase to about \$750,000 – a significant improvement over the 2015 Fund Balance of -\$35,000. It is the DDA's 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." The Audit will be completed in December 2019, at which time actual performance for FY 2018-19 will be known.

2019-2020 DDA Budget.

The DDA's interest in reserving TIF funds for "the big project" has come about with the Levee project. (Annual debt service for the Levee project will be known once the funding package is finalized.) Much of the original DDA investment made on behalf of the Frankenmuth 2000 initiative (primarily streetscape and utility improvements) will be 20 years or older, indicating major maintenance or updating in the near future. The DDA plans to borrow where necessary (i.e. Levee) and use cash on hand to fund necessary repairs (i.e. crosswalks.) The DDA is in good position to provide for these needed investments.

As shown in the Revenues Chart (see **Appendix B**), TIF funding makes up 91% of the DDA's revenue. 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. Current DDA bond debt (prior to the soon to be issued Levee bonds) will be fully paid in FY 2032-33, with the payoff of the South Main Sanitary Project bond. In 2019-20, the DDA will pay \$538,328 in debt service.

The DDA continues to pay for maintenance on the greenspace and public amenities (including the reimbursement of DPW labor/equipment, outside contracts and utilities) made in the district by the DDA. In 2019-20, the DDA anticipates spending more than \$350,000 on district maintenance. Under the Graham Plan, the DDA pays for the maintenance of improvements "added" by the DDA after 1994. (A crosswalk improvement project (estimated cost \$250,000) will be completed this spring and is not included in the enclosed DDA budget.)

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 \$40,000 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.

Fund Balance. In the very short term, Fund Balance will grow as debt service decreases and as investment continues within the district. Once the Levee Project financing is confirmed, the DDA anticipates an increase in debt service payments between \$400,000 and \$500,000. The large fund balances realized in current time will be reduced as the DDA spends more cash on major maintenance and new debt service. In 2019-20, the DDA will replace the crosswalks at Jefferson and Main, using fund balance to pay for the maintenance.

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 less than \$150,000, with the DDA paying more than 80% 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 strong partnerships, comprehensive management, incremental successes, good planning, and communication. The DDA continues to invest in the “big projects,” to keep the district visually stunning and to build and maintain partnerships.

Remaining Consistent to the DDA Mission.

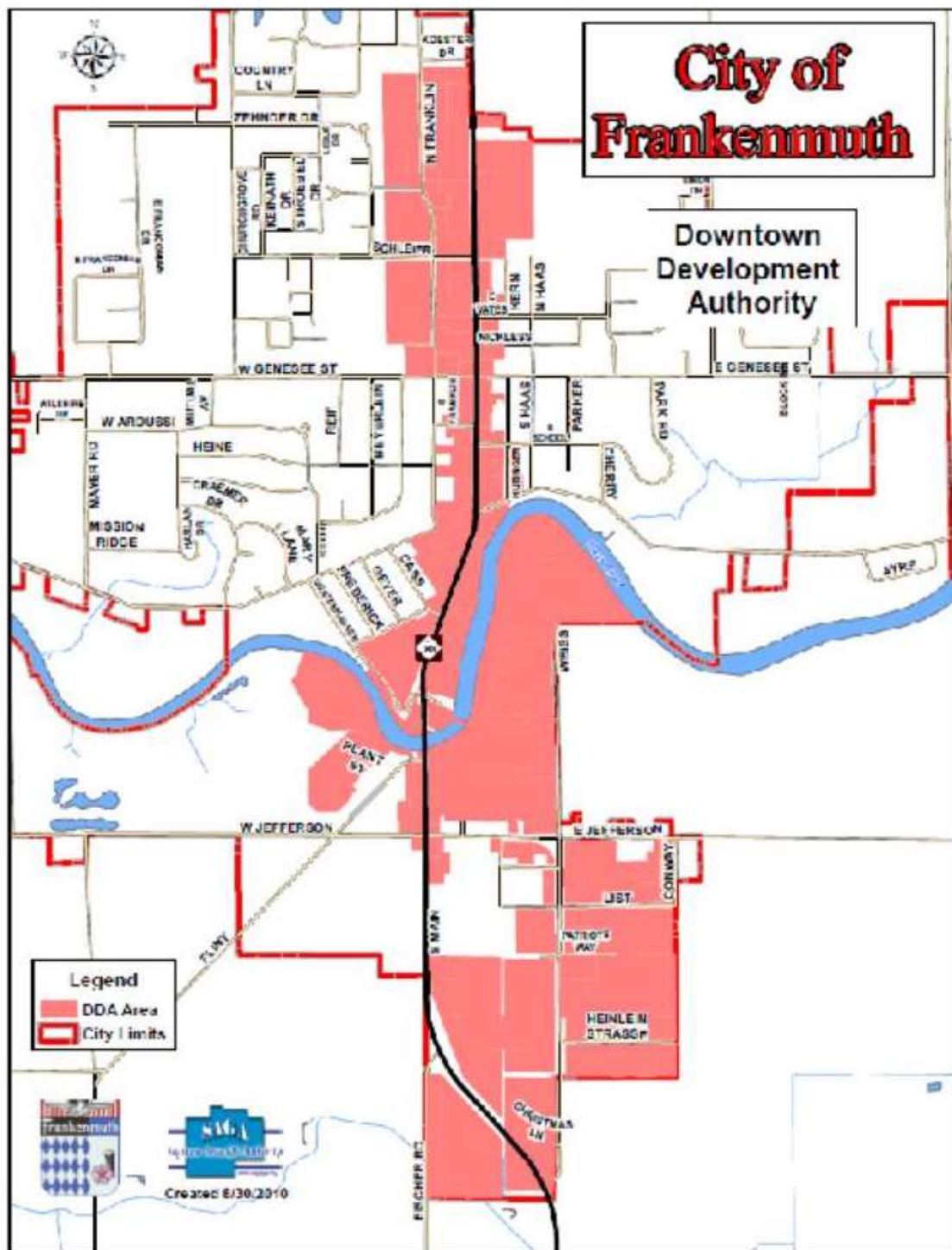
The Board of Directors appreciates the opportunity to serve the City of Frankenmuth, its businesses and its citizens. The purpose of the DDA is stated in its bylaws:

- 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.



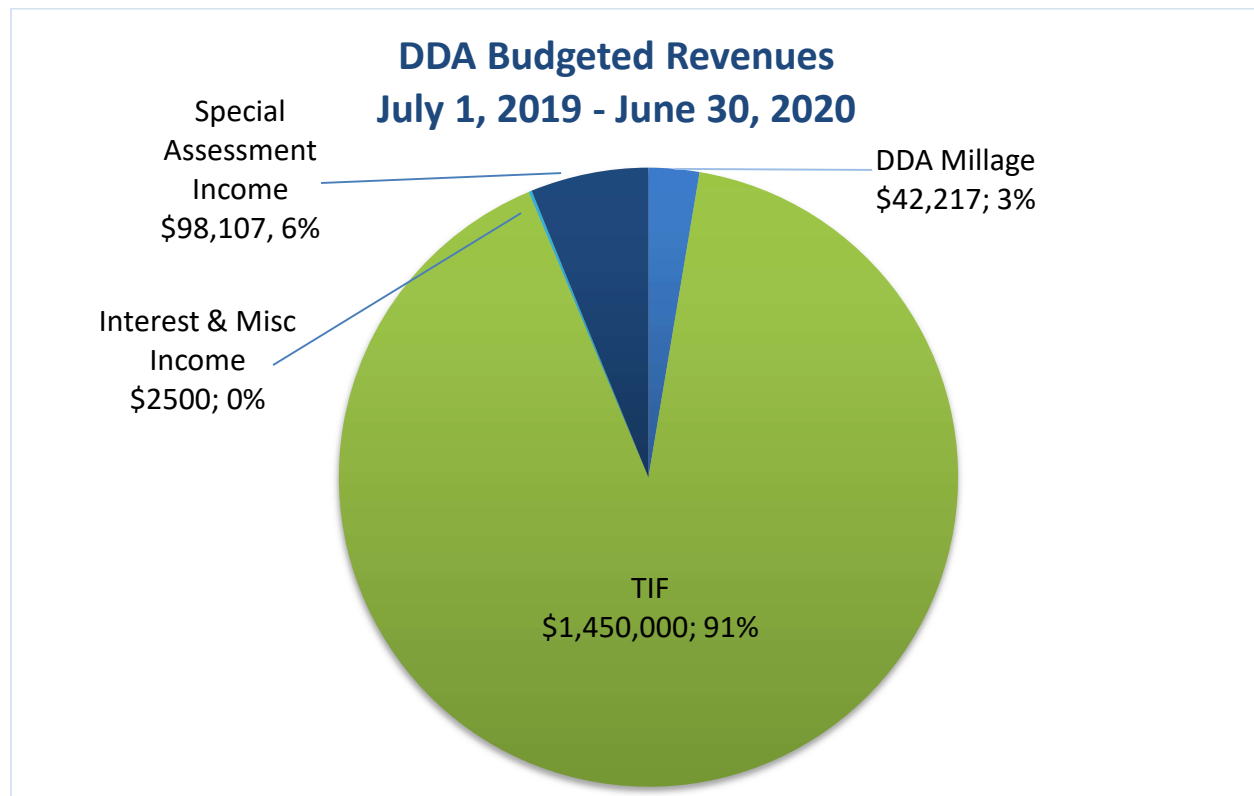
Appendix A: DDA District Map



DDA Budgeted Revenues

FY 2019-20 BUDGET

For Discussion Only



Total Budgeted (Estimated) DDA Revenues: \$1,592,824

DDA Millage.

Property owners within the district pay an additional 1 mill to support the operation of the DDA office. The millage collects about \$108,000 in FY 19-20, of which \$66,000 (+/-) is captured within the TIF.

About Tax Increment Finance (TIF)

The DDA workhorse is Tax Increment Finance Revenue.

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.)

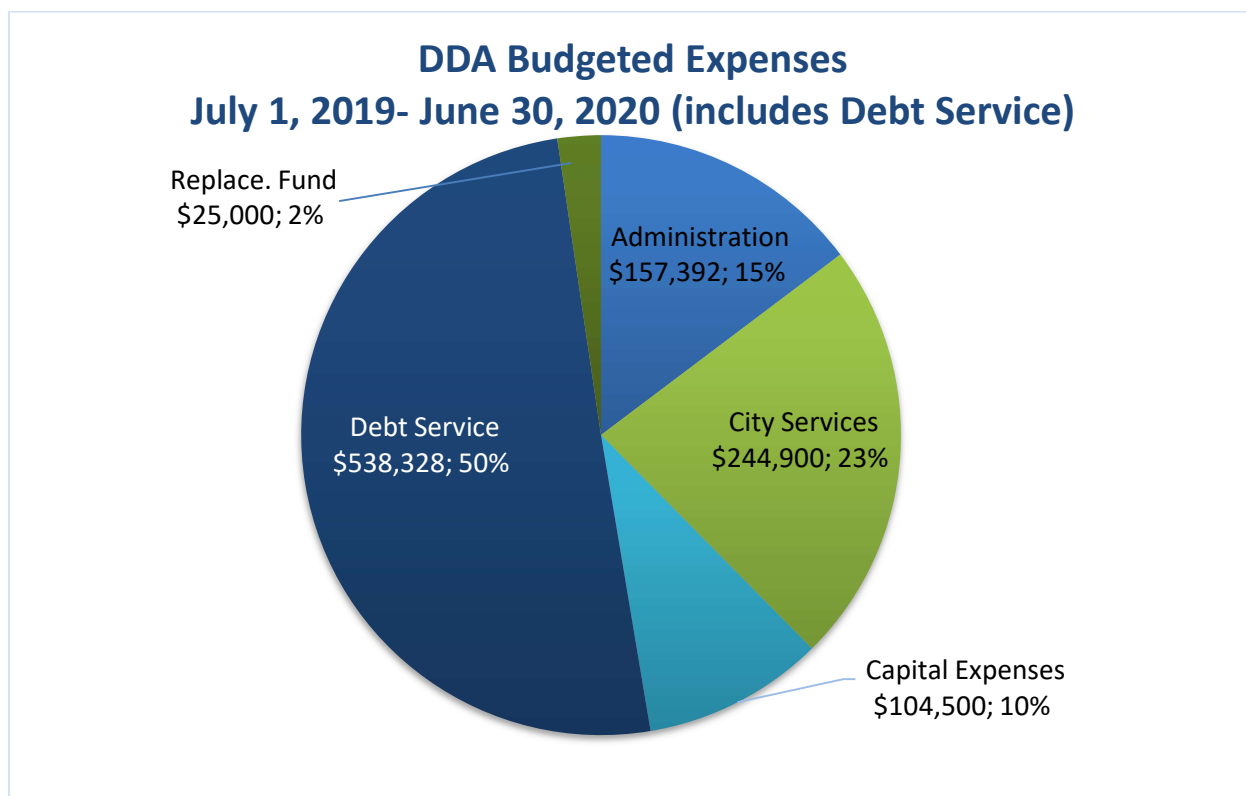
The Frankenmuth TIF Plan was amended in October 2014, by a vote of the City Council. The amended TIF plan details the projects the district will fund with TIF revenues and sets a “sunset” date (the date the TIF plan is completed) in 2044. A copy of the approved TIF plan is found in the DDA section of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

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

DDA Budgeted Expenses

FY 2019-2020 BUDGET

For Discussion Only



Total DDA Expenses: \$1,070,120

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. The DDA paid the City \$40,000 for professional management and clerical services and the City Beautification Committee \$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 include lawn mowing of the islands on Weiss Street, irrigation management, and professional engineering services for capital projects.
- **Capital Replacement Reserve Fund:** The DDA sets 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.

The DDA anticipates in this budget a “contingency fund” of about \$522,000; about half of which will be dedicated to the Crosswalk project at Main and Jefferson. The remaining will be held in the DDA Fund Balance for other “pay as you go projects” including streetscape maintenance.

Investment & Development Projects

Appendix A

A Partial Listing as of August 1, 2019: Circles represent approximate locations
For Discussion Only. Detail is provided on Page 2 of Appendix A.

