

Traverse City Downtown Development Authority Study Session

Friday, April 5, 2024

12:00 pm

Commission Chambers, Governmental Center
400 Boardman Avenue
Traverse City, Michigan 49684



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The City of Traverse City and Downtown Development Authority are committed to a dialog that is constructive, respectful and civil. We ask that all individuals interacting verbally or in writing with board members honor these values.

Downtown Development Authority:
c/o Jean Derenzy, CEO
(231) 922-2050
Web: www.dda.downtowntc.com
303 East State Street, Suite C
Traverse City, MI 49684

**Welcome to the Traverse City Downtown Development Authority
study session**

Agenda

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Downtown Development Authority
303 E. State Street
Traverse City, MI 49684
harry@downtowntc.com
231-922-2050

Memorandum

To: Downtown Development Authority Board
From: Harry Burkholder, Interim COO
Date: April 1, 2024
Subject: Moving Downtown Forward TIF Plan

Last month, the DDA Board requested additional time to review the proposed Moving Downtown Forward TIF and Development Plan and provide additional questions, clarifications and information regarding the TIF tool, the Moving Downtown Forward TIF Plan, financial implications, the adoption process and potential decision scenarios. The following contents of this memo attempt to inform and address the questions and feedback I received from DDA Board members, as well questions that have surfaced in community and stakeholder discussions.

Financial Implications

TIF By the Numbers

- A. As we have mentioned previously, if the Moving Downtown Forward TIF is not approved and TIF-97 expires in 2027, roughly \$2.3 million in previously captured tax revenue would go into the City's General Fund and \$1.7 million would go back to the participating taxing partners.
- B. The total tax increment capture paid by downtown district property owners equates to 53-cents on the dollar of TIF funding, with the remaining 47-cents coming from the regional taxing partners

Questions

What is the anticipated TIF-97 Revenue for FY 2024 – 2025?
The estimated revenue for TIF-97 is \$4,392,225.

How much does the extra 2-mills from district property owners generate annually?

The 2-mills paid by District property owners generates approximately \$250,000 a year. These funds would serve as the primary operational budget off the DDA should TIF-97 not be extended.

How much has TIF-97 captured over its current lifespan?

Over its current lifespan, TIF-97 has captured approximately \$38,032,133. The captured amount from the city equals approximately \$19,948,399 and the captured amount from the participating taxing jurisdictions equals approximately \$18,083,734.

What infrastructure projects has TIF-97 funded over its current lifespan?

TIF-97 has funded a number of important and critical public infrastructure projects throughout downtown as well as on-going maintenance and placemaking services (please see the "Projects Impacted by TIF" one-pagers attached).

How much has the taxable value of the Downtown District increased with TIF?

The taxable value of the Downtown District prior to TIF-97 was \$32,860,088. The taxable value of the TIF-97 District this coming fiscal year is projected to be \$171,058,328. Over the current lifespan of the TIF, the taxable value of the district has increased 420%.

What are the financial consequences for both the City and the future operation and maintenance of downtown if TIF is not extended?

Listed below are just some of the services and approximate costs associated with the operation and maintenance of downtown funded through TIF-97. As a reminder, the full cost of some of these services are shared with funds contributed through Old Town TIF. In addition, I have listed the approximate costs associated with some of the on-going infrastructure projects funded through TIF-97.

Simply put, if TIF-97 is not extended needed maintenance and upgrades to existing infrastructure, as well as future infrastructure needs, would come directly from the city's general fund. This would likely mean that hard choices would need to be made and future infrastructure investments as well as needed maintenance and upgrades to existing infrastructure throughout downtown and the entire city may be eliminated or deferred. In addition, large transformative infrastructure projects (that are typically bonded) like a parking structure or improvements to the Lower Boardman Riverwalk, would not be as feasible without imposing additional financial burdens on city taxpayers.

Remember, the costs associated with every phase of maintaining and building infrastructure continues to increase. The two new Eighth Street intersections at Cass and Union are costing over \$850,000.

Operation and Maintenance Services - 2024-2025 TIF-97 Budget Estimates:

- Downtown Trash Removal: \$68,000
- Community Police Officer: \$120,000
- Service Agreement w/City: \$507,000

- Maintenance and Operation: \$250,000 (including our contract with YouthWorks)
- Proposed Engineer: \$60,000
- Public Restroom Program: \$30,000
- Professional Services: \$335,000 (among other things, includes services such as administering the Farmers Market, the DDA website, way-finding sign replacements/updates and hanging holiday lights)

Infrastructure Projects - 2024-2025 TIF-97 Budget Estimates:

- Streetscapes and Snowmelt: \$400,000
- Two-Way Pilot Project: \$400,000
- Hardy Parking Deck Annual Bond Payment: \$913,720

TIF Funding in Action - Examples

Project

2023 Bridge Reconstruction
South Union Street Bridge & North Cass Street Bridge



Total Project Cost: \$4,125,257

- Mich. Dept. of Transportation Contribution & Percentage of Overall Budget: \$3,508,257 (85%)
- City Capital Project Fund Contribution & Percentage of Overall Budget: \$99,500 (2%)
- Total TIF Investment Contribution & Percentage of Overall Budget: \$517,000 (12%)
 - a. TIF-97: \$382,000
 - b. Old Town TIF: \$135,500

Using the 53-cents (city) and 47-cents (regional taxing partners) on the dollar formula, **the regional taxing partners contributed \$243,225 or 5% of the overall project budget** to this important infrastructure project used by people from throughout the region.

Project

Hardy Parking Structure (2002)



This project was bonded in 2002 and paid back through annual payments from TIF-97. The anticipated bond payment for FY 2024-2025 is \$913,720

Using the 53-cents (city) and 47-cents (regional taxing partners) on the dollar formula, **the regional taxing partners will contribute \$229,448 toward the payment of this important infrastructure project** used by people from throughout the region.

Elements of the Moving Downtown Forward TIF Plan

Questions

What is the best reference document we have summarizing Traverse City's residents' priorities and issues with downtown?

The PUMA Moving Downtown Forward final report includes a comprehensive summary of the key takeaways, priorities, strengths, challenges and suggested physical and service improvements for downtown collected throughout the discovery and public engagement phase of the planning process. These themes helped to create the framework for the Guiding Principles and projects listed in the proposed Moving Downtown Forward TIF Plan.

The most important capital projects identified through the process included improvements to the Lower Boardman/Ottaway River, a West End Parking Structure, the Civic Square, Climate Action and Resilience employed within future projects and other civic investments that help the DDA meet its guiding principles.

Where did the new revenue sharing approach come from?

The new revenue sharing approach was developed through the Moving Downtown Forward planning process, which included several discussions with administrators from the participating taxing partners. The new approach exemplifies our commitment to work with our partners and collectively benefit from the success of Downtown and share in its future prosperity. Based on those discussions, I also think there is an opportunity to collaborate with the taxing jurisdictions on how those shared-back revenues could be used to support shared interests and/or incorporate their interests into downtown.

The numbers and percentages used in the new approach would provide both a share back to the taxing jurisdictions and enough revenue to account for the projects listed in the proposed plan.

In total, over the lifespan of the proposed TIF, the new revenue sharing approach would share back roughly \$24 million to the city and \$16 million to the taxing jurisdictions.

Can we still move forward with the housing element of the West End Mixed Use Development?

Yes, the housing element of the West End Mixed Use Development is listed in the proposed TIF Plan. It has been the intent that the housing element be funded through a public-private partnership. A decision to move forward with the housing element would ultimately be a decision of the City Commission.

With the parking element of the West End Mixed Use Development project eliminated, what will remain of the assembled parcels?

I believe the City Commission will look more favorably toward the demolition and environmental remediation efforts that were recently proposed (and funded through EGLE). It has been the city's stance that after demolition and remediation, the site be

seeded (greened) until such time as the project (either the entire project or certain elements) is ready to move forward.

With the parking element of the West End Mixed Use Development project eliminated, how are we supporting the emerging parking needs of the west end and how can we ensure year-round walkability from the two current parking structures?

Due to on-going and future development investments on the west end of downtown we anticipate there will be additional demands for parking in and around this area of downtown. In the interim, availability in both parking structures can accommodate parking. However, the DDA board may need to consider opportunities for implementing infrastructure that secures safe, year-round walkability (i.e., heated sidewalks).

In addition, the elimination of a parking structure on the west end of downtown may further delay other opportunities to redevelop surfaces parking lots for better uses.

How was the maximum amount of bonded indebtedness over the lifespan of the amended TIF Plan (\$90,000,000) determined.

The amount listed in the proposed plan takes into account the potential costs of projects listed in the plan that might need bonding to realize (specifically the Lower Boardman/Ottaway Riverwalk, Civic Square and West End Mixed Use Development) the amount of TIF revenue we expect to capture.

Scenarios of the Moving Downtown Forward TIF is Not Approved

If TIF is not renewed, the city will need to fill a \$1.7 million hole in one of three ways: by raising taxes, cutting critical services or allowing infrastructure deteriorate and projects to halt. In addition, the city will need to determine how it intends to fund the on-going costs of maintaining downtown and build additional infrastructure, an issue that does not go away if TIF is not renewed.

As a reminder, TIF is the **only** municipal revenue-sharing tool available that uses funds from regional taxing partners to fund and maintain public downtown infrastructure that supports the entire region. While Traverse City's population hovers around 16,000 people, roughly 50,000 people from throughout the region come into or pass through the city each day (not to mention the millions of tourists each year). This influx of people places tremendous stress on the city's infrastructure.

Could we start over and create a new TIF?

Yes. However, a new TIF would likely be challenged by citizens much the same way the current extension is being challenged. In addition, the city would still need to make up the \$1.7 million in lost revenue and it would take several years to build up enough new tax capture to implement many of the projects that are listed in the proposed plan.

Approval Process, Timeline and Next Step Considerations

December 2023 Completed

The DDA Board approved to move the draft Moving Downtown Forward TIF Plan on to the Development Area Citizens Council for input and advisement (part of the statutory approval process) at the December Board meeting.

February 2024 Completed

The Development Area Citizens Council (which includes nine members who must be residents within the TIF District and were appointed by the City Commission) met on February 7th and again on February 28th to review and discuss the draft TIF Plan. The Citizens Council had great questions and extensive discussions regarding the draft TIF Plan. Their resolution of support - *That the Development Area Citizen Council recommends to the Downtown Development Authority and the City Commission approval of the Moving Downtown Forward Tax Increment Financing Plan and Development. This recommendation takes into consideration public infrastructure, cost sharing with regional taxing partners and the future needs of the Moving Downtown Forward District* - was approved unanimously.

April 19, 2024

If ready, the DDA Board adopts a resolution to approve the combined Moving Downtown Forward TIF and Development Plan and sends it forward to the City Commission with the recommendation that the City Commission approve the Moving Downtown Forward TIF and Development Plan after the City first conducts a public hearing (as required under the Recodified Tax Increment Financing Act).

May 6, 2024

At the May 6th City Commission meeting, the formal findings-of-fact and recommendation from the Development Area Citizens Council, the DDA resolution of support and the recommendation for a public hearing will be presented to the City Commission. The City Commission considers a resolution to schedule and hold the public hearing for the Moving Downtown Forward TIF and Development Plan on May 20, 2024.

May 20, 2024

At the May 20th City Commission meeting, the City Commission holds the public hearing on the Ordinance for the Moving Downtown Forward TIF and Development Plan and then considers a resolution to approve the Ordinance for the Moving Downtown Forward TIF and Development Plan.

Potential Appeal Process

Citizens have 20 days from the approval of the Ordinance for the Moving Downtown Forward TIF and Development Plan to circulate and secure signatures (petitions) to referendum the Ordinance (**June 9th**), then...

- A. If the required number of signatures are not received, then the ordinance is enacted.
- B. If the required number of signatures are received, then the City Clerk's Office has 10-days to determine the sufficiency of the signatures.
 - 1. If the signatures are insufficient, petitioners have 10 days to file supplemental signatures.
 - 2. If the supplemental signatures are filed, the City Clerk's Office has another 10-days to determine the sufficiency of the supplemental signatures.
 - 3. If the referendum signatures are filed and sufficient, the City Commission adopts a resolution and ballot language to submit to the Moving Downtown Forward TIF to voters at the November 2024 election.

If the DDA Board and City Commission delays the approval of the TIF Plan, and if the subsequent potential referendum is affirmed after July 30, 2024, the question to approve the Moving Downtown Forward TIF Plan would not be on the November 2024 ballot.

In that scenario, if the DDA Board and City Commission approves the TIF Plan, and if the subsequent potential referendum is affirmed after July 30, 2024, the Moving Downtown Forward TIF and Development Plan would be suspended until the ordinance is subject to a public vote at the next general election (November 5, 2025). Holding a special election is costly and typically not conducted for TIF extension proposals.

If the proposed charter amendment to require a public vote on all Tax Increment Financing Plan (i.e., Downtown and Brownfield TIF's) approvals, amendments, and extensions passes, what are the potential impacts for downtown development?

The TIF tool, through agencies like the DDA, serve to implement public infrastructure that supports and promotes new opportunities for job creation and economic development. In addition, the TIF tool can help leverage additional private funds, as well as state and federal grant funds. The TIF tool can also help ensure that public and private projects have a clearer path to completion, are able to bridge financial gaps and avoid the risk of unfinished developments that burden the city.

The TIF tool, through agencies like the Brownfield Redevelopment Authority (i.e., Brownfield TIF's) help address environmental cleanup and redevelopment efforts that would otherwise make redevelopment of many downtown parcels too costly and difficult to execute. Used through this framework, the TIF tool can also help ensure that public and private projects have a clearer path to completion, are able to bridge financial gaps and avoid the risk of unfinished developments that burden the city. The Brownfield TIF tool can now also address housing.

Working independently or together, these two TIF frameworks help fund critical public infrastructure improvements, environmental clean-up efforts and placemaking amenities that both foster social benefits across the entire city (and region) and create the conditions where new development and job creation is possible without imposing additional financial burdens on local taxpayers.

These tools are absolutely critical to the success and thriving environment of downtown Traverse City. The elimination of these tools would significantly limit and impede future growth and economic development opportunities Traverse City, impact the health and vibrancy of downtown and risk the ability to address future needs and challenges.

I look forward to discussing the TIF tool and the Moving Downtown Forward Plan at our meeting.

PROJECTS IMPACTED BY TIF



STREETSCAPING (1998, 1999, 2001, 2007, 2012, 2015, 2017)

The installation of streetscaping was one of the first public infrastructure projects funded under TIF 97. Streetscaping refers to the natural and built elements (e.g., trees, brick ribbon, mid-block crosswalks, snow-melt, lighting, benches, and trash receptacles) that shape and enhance the pedestrian experience and sense of place.

JAY SMITH WALKWAY (2006)

The Jay Smith Walkway created a new public/pedestrian space, connecting the parking lots along the river to Front Street. The improved public space included new landscaping, a fountain, benches and tables.



LARRY C. HARDY PARKING GARAGE (2003)

Part of a long-term strategy to “stack” cars in parking structures rather than parking cars in surface parking lots and creating a more walkable environment, the Hardy Parking Garage is one of the largest TIF 97 funded projects in downtown. In addition, the Hardy Parking Garage helped spur nearly \$70 million of adjacent private investment.

PEDESTRIAN DIRECTORIES (2004)

The DDA placed 13 pedestrian directories (kiosks) at strategic locations throughout downtown. The directories feature a location map and listing of all the businesses in the downtown district, and get updated annually.



COMPREHENSIVE WAYFINDING (2007)

In 2007, the DDA worked with renown (and local) wayfinding design firm Corbin Design to develop and install comprehensive wayfinding through the downtown district. The wayfinding helps guide drivers and pedestrians to specific destinations and areas (i.e., Front Street, Old Town, Warehouse District) of the downtown district.

CITY OPERA HOUSE IMPROVEMENTS (2012, 2019)

Over the last twenty years, the DDA has used TIF 97 funds to make a series of improvements to the Opera House, including a new roof, heating and cooling systems and high-efficient lightings. Today, the City Opera House is a destination attraction for quality arts and cultural entertainment, arts education, and public and private gatherings.



CLINCH PARK IMPROVEMENTS (2013)

In 2013, the DDA contributed TIF-97 funds toward a series of improvements to Clinch Park. These improvements included a new pavilion, bathhouse, restrooms, changing, playground, concession stand, splash-pad landscaping and improvement to the Cass Street pedestrian tunnel.

PINE STREET PEDESTRIAN BRIDGE (2016)

In 2016, the DDA utilized TIF-97 funds to install a new pedestrian bridge across the Boardman River near the Pine Street and Front Street intersection. The new pedestrian bridge provides a critical connection - linking the downtown core to Garland Street and the emerging Warehouse District.



GARLAND STREET (2016)

In 2016, the DDA utilized TIF-97 funds to reconstruct Garland Street. Park of the emerging Warehouse District, Garland Street was designed as a “shared street”, and provided the foundation for subsequent years of private development along this part of downtown, including Hotel Indigo and the Breakwater Mixed Use development.

PROJECTS IMPACTED BY TIF



BOARDMAN RIVER BOARDWALK

Over the last twenty years, the DDA has worked with the city to install boardwalk along portions of the 1.6 miles of the Boardman/Ottawa River that meanders through downtown. The system of boardwalks provides pedestrian (and ADSA compliant) access to the river for recreation, fishing and other leisure activities.

PUBLIC RESTROOMS (2018)

In 2018, the DDA installed public restrooms in the Hardy Parking Garage/Mixed Use Development, off Park Street. The public restroom building is the first "free-standing" public restroom facility in downtown, adding to the DDA's public restroom program with local merchants.

WIFI (2014 - PRESENT)

In 2014, the DDA partnered with Traverse City Light and Power (TCL&P) to provide free WiFi throughout the Downtown District. The free WiFi allows visitors to access information and facilitate remote work/business from anywhere in downtown on their smart-phone and laptop. TCL&P paid for the upfront costs of building the wireless network in 2014 and the DDA has utilized TIF-97 to pay the utility back over the next ten years.

FARMERS MARKET

Over the past 25 years, the DDA has utilized TIF-97 funds to make improvements to the Farmers Market, including the installation of awnings, signage and the establishment of an on-line Farmers Market. The Farmers Market supports dozens of local growers and producers who bring fresh produce to market each week and serves as a colorful community gathering space.



BRIDGE REPAIRS (2021-2023)

Over the last two years, the City of Traverse City (in partnership with the DDA) utilized TIF-97 funds to pay for a portion of the rehabilitation of the Pine Street, South Cass Street, Eighth Street and West Front Street bridges. The city is currently using TIF funds to pay for the rehabilitation of the North Cass Street Bridge and South Union bridges. Rehabilitation work on the bridges includes new structural spans, new roadways and wider sidewalks.

STREET, ALLEY AND INTERSECTION RECONSTRUCTION (2022-2023)

Over the last two years, the DDA utilized TIF-97 funds to reconstruct critical street infrastructure throughout the downtown district, including East Front Street (between Railroad Ave. and Boardman Ave.), the 100-block north alley and the Cass Street and Eighth Street intersection.



ON-GOING TIF 97 PROJECTS AND SERVICES



Downtown Police Officer



Trash Removal



Planters and Landscaping



Maintenance and Cleaning



Holiday Lights