

RESOLUTION NO. _____

**A RESOLUTION OBJECTING TO PROPOSED
LEGISLATION THAT WOULD NEGATIVELY IMPACT TAX
INCREMENT FINANCING FOR CITY IMPROVEMENTS**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FRANKENMUTH,
that:**

Section 1.

The City Council wholeheartedly supports the attached list of Talking Points which spell out the benefits of Tax Increment Financing for the City of Frankenmuth.

Section 2.

The City Council strongly opposes any change to the Michigan State Statutes than would inhibit the City's ability to utilize Tax Increment Financing to finance needed improvements in the City's Downtown Area or that would have a negative impact on the City's ability to retire the debt that has already been incurred to finance previously constructed improvements.

Action _____

Date _____

GARY C. RUPPRECHT, MAYOR

PHILLIP W. KERNS, CLERK

Talking Points:

Frankenmuth Tax Increment Finance & Potential State Legislation

Tax Increment Financing is a state-enabled municipal finance tool to fund public improvements without raising taxes. It was developed in the 1970's by the State to help city centers.

What is the purpose of the Tax Increment Finance Plan in Frankenmuth?

- To provide funding for the construction and/or management/maintenance of identified public improvements. Public improvements enable private investment stabilizing existing businesses while attracting new investment and/or business within the identified district;
- To provide an economic environment supporting the community at large (City, County and State) by facilitating a healthy commercial sector, including a focus on tourism; and
- To provide employment opportunities for area residents.

How has TIF been used in Frankenmuth?

1. As of July 1, 2013, revenues from the Frankenmuth Tax Increment plan fund debt service for outstanding bond debt of approximately \$4.5 million.¹ (Since 1996, bonds sold for projects that supported infrastructure improvements within the district totaled almost \$8 million.) Each bond sale provided funds for public infrastructure constructed in the downtown district that

- Improved walkability and safety for public streets, improving the user experience; and/or,
- Provided upgrades to insufficient infrastructure (water, sanitary sewer, and storm water distribution systems) serving existing businesses, enabling expansions and/or attracting new investment to underutilized parcels and properties; and/or,
- Provided for retained or new employment opportunities for the Frankenmuth area and Mid-Michigan region.

2. The City of Frankenmuth, through the DDA and the TIF, has successfully leveraged about \$11 million in other fund sources since 1994 because of the availability of TIF revenues as a funding source and local match. (This estimate does not include captured revenues from other taxing jurisdictions.) These sources include special assessments on district property owners, additional millage on all properties within the City, development grants through the State of Michigan from programs including Clean Michigan Initiative, MDOT and MEDC (among others,) and from grants at large from local, regional and state-based organizations, including community groups, businesses and corporations, and foundations.

3. During planning for construction of improvements supporting the Frankenmuth Hospitality Plan and ensuing projects, the City adopted the policy that TIF funds would be used to maintain public improvements constructed with TIF funds, only. Funding paying for ongoing city services including public safety and snow removal, among others, continue to be paid through the City's General Fund.

4. In 2013-2014, the DDA budgeted to collect about \$950,000 in Tax Increment revenue. Of that, \$638,000 or 67% will be used to support bond payments. Of the remaining 33%, most will be used for maintenance on the district improvements (as noted) and on contracts supporting the work of the district. About 6% of the TIF fund will be used for DDA personnel. The DDA has about \$100,000 in fund balance available to it for special projects.

What will changes to TIF legislation at the state level do to the TIF plan in Frankenmuth?

Changes will limit the ability of the DDA through the TIF to make bond payments. All bonds were sold with the full faith and credit of the City of Frankenmuth; should the DDA not be in a position to pay the

¹ Bond debt is reflective of principal only.

bond debt, the City will be required to do so. This action would negatively affect the City's credit rating, costing it more to borrow money. The transfer of payment obligation to the City from the TIF could force a reduction of services to its property owners and/or a raise in local taxes.

Changes could stifle the City's ability to support new investment, particularly within the City center and commercial district. In areas of insufficient infrastructure, lack of funding will depress the opportunity to attract new investment, limiting expansions or new investments. Previous TIF expenditures have helped the district to experience very low vacancy rates. Underperforming or undeveloped parcels within the district can and should be developed over the next decade. Facilitating this growth will require investment in public infrastructure which will come from TIF funding.

Changes would retard efforts to keep Frankenmuth & Mid-Michigan working. For those who live and work in Frankenmuth, a vital commercial district is imperative for maintaining housing values, all of which impact the image of safe and clean community, good schools and strong neighborhoods. With three of Saginaw County's top 11 employers located with sites in the downtown district, retaining the TIF district provides opportunities for continued investment by them and by others, retaining and hiring new employees. Working people buy and maintain homes, send their children to school and become part of the community. A majority of employees in the district come from outside of Frankenmuth, serving to disburse the economic benefits of TIF expenditures.

Changes will rip the heart out of the City's ability to provide a focused approach to commercial growth both within the district and outside of the district. Frankenmuth's sense of place -- the attractor for the business investor, consumer and resident -- is defined by the downtown district.

TIF Financed Projects & Outcomes Since 1994²

<i>General Project Description</i>	<i>General Purpose</i>	<i>TIF Investment</i>	<i>Other Funds Invested (incl. City)</i>	<i>Private Investment</i>
Frankenmuth Streetscape: 4 Phases (North Main, Phase 1, Phase 3A, Weiss): TIF Bonds, Special Millage, Special Assessments, MDOT, MEDC/CDBG, CMI (River Place)	Sidewalks, Safety, Lighting, Greenspace	\$6,500,000	\$7,500,000	\$30-\$50 million, perhaps more
Storm Water Distribution System: Main Street at Cass: TIF, Private Developer, MEDC loan program	Spring Hill Suites/All downtown area	\$350,000	\$75,000	\$4 million
Water Line Extension/South Main & Sanitary Pump Station/Weiss : Private Development, MEDC/CDBG	Splash Village Redundancy, Increase capacity	\$0	\$600,000	\$15 million
Sanitary Sewer Distribution System: South of River/Insufficient capacity: TIF, MEDC/CDBG	Splash Village	\$850,000	\$500,000	\$20 million
Frankenmuth Fish Passage: Federal (USACE), City and TIF	Dam improvements	\$350,000	\$2,700,000	
New: FEMA Flood Plain Challenge: YTD investment	Levee / Map Revision	\$130,000	\$130,000	

² Estimated from staff records. Investments reflect no interest payments to date; simply the project cost at the time completed.