

**CENTRAL BUSINESS DISTRICT IMPROVEMENTS
DEVELOPMENT PLAN AND TAX INCREMENT FINANCING PLAN
Mt. Pleasant, Michigan**

DEVELOPMENT PLAN

I. General

This report is intended to describe the methodology involved in establishing a tax increment financing and development plan for the implementation of Central Business District (CBD) improvements in accordance with Public Act 450 of 1980. As stated in the "Central Business District Plan" (WBDC, Inc., 1984) and HyettPalma Downtown Blueprint Plan (2003), the Central Business District is located near the geographic center of the city. It lies just east of the Chippewa River and is generally surrounded by residential neighborhoods. As one of the principal business areas serving the city and the surrounding region, the CBD contains numerous retail, office and service establishments as well as apartments and storage occupying upper stories of buildings. Additionally, it accommodates governmental and cultural facilities.

In an effort to improve the general business climate and upgrade the public and parking areas, the City has proposed a series of improvements which would increase the attractiveness and subsequently the marketability of the Central Business District. To assist in the improvements of the CBD, a tax increment financing district was created by resolution of the Mt. Pleasant City Commission on December 17, 1984.

II. Description of Development Area

An area generally bounded by Illinois Street to the south, Conrail (old Ann Arbor Railroad) line to the west, Fancher Street to the east, bordering Island Park extending along Main street north to Pickard (see attached map).

A. Relation to Other Districts:

The entire central business district authority, established by the Mt. Pleasant City Commission on December 17, 1984, shall be considered the development district. This district is contiguous to the Mt. Pleasant DDA at Fancher Street. The Central Business District is approximately 1 1/2 miles southwest of the IDC tax increment finance district and 1 1/2 miles north of the University Park tax increment finance district/LDFA Smart Zone (see attached map).

B. Relation to Highways and Streets:

At its western boundary of Fancher Street the development district is three blocks west of business US-27/M-20 and approximately 1 mile west of US-27 limited access expressway (see attached map).

C. Existing Streets and Facilities, Land Use, Legal Description:

The following streets are in the district:

- N. Main Street – both sides of street, 100 block
– west side of street, 200, 300, 400, 500, 600, 700, and 800 blocks
- N. Washington – east side of street, 600 block
– both sides of street, 700, 800 blocks
- W. Bennett – both sides of street, 100 block
- W. Lincoln – both sides of street, 100 block
- E. Chippewa – south side of 200, 300 blocks
- Mosher Place – both sides of street, 100 block
- E. Mosher – south side of 100, 300, 400 blocks
– north side of 200, 300 blocks
- E. Broadway – both sides of street, 100, 200, 300, 400 blocks
- W. Broadway – both sides of street, 100, 200, 300, 400 blocks
- E. Michigan – both sides of street, 100, 300 blocks
– north side, 300, 400 blocks
- W. Michigan – both sides of street, 100, 200, 300, 400 blocks
- Mill Street – north side, 400 block
- E. Illinois – north side, 100, 200 blocks
- W. Illinois – north side, 100, 200, 300 blocks
- N./S. Fancher – west side of 100 block
- N./S. Lansing – both sides of 100 block
- N. Franklin – both sides of 100, 200 block
- S. Franklin – both sides of 100 block

- S. Franklin – west side of 200 block
- Court Street – both sides, 100 block and east side, 200 block
- S. University – both sides of 100, 200 blocks
- S. Washington – both sides of 100, 200 blocks
- S. Pine Street – both sides of 100, 200 blocks
- S. Oak Street – both sides of 100 block and east side of 200 block
- Walnut – west side of 200 block

All streets with the exception of ~~W. Bennett~~ and N. Washington are hard surfaced with asphalt or concrete. Available utilities include water, sewer, electric and natural gas.

Municipal parking lots are located as follows:

- 200 block E. Michigan – Lot 1
- 200 block Mosher – Lot 2
- 100 block N. Main Street – Lot 3
- 100 block S. Washington – Lot 4
- 200 block S. Washington – Lot 5
- 100 block E. Illinois – Lot 6
- 200 block S. University – Lot 7
- 100 block S. Lansing – Lot 8
- 300 block Mosher – Lot 9
- 100 block Mosher – Lot 10
- 400 block E. Broadway – Lot 11
- 400 block W. Broadway – Lot 12
- 300 block W. Broadway -- A new lot will be constructed behind the new City Hall in 2007 or 2008

Other public facilities and non-profit organizations in the tax increment finance district include:

- Mt. Pleasant City Hall, 401 N. Main St.
- Mt. Pleasant Housing Commission, Riverview Apts., 1 Mosher
- Isabella County court and administration buildings, 200 N. Main St.
- U.S. Post Office, 813 N. Main
- Art Reach of Mid-Michigan, 111 E. Broadway
- American Red Cross, 215 E. Broadway
- Friends of the Broadway Theater, 216 E. Broadway
- Women’s Aid Service, E. Broadway
- Listening Ear Crises Center, 107 E. Illinois
- Grace Church, 248 S. Main St.

As noted in the CBD Master Plan, the center of the downtown is the retail shopping district located in the area of Broadway and Main. Some retail and service establishments are located south of Broadway along University Street as well.

The retail core is bordered on the north, south and east by office and institutional uses. These range from government facilities (City Hall, county building and post office), to sales and professional offices for insurance, real estate, medical and legal services. Sacred Heart Academy is located also in this area.

A five block area west of the retail core consists of a varied mix of uses including residential, retail, service, office and warehousing. This area offers the greatest potential for redevelopment and expansion of the CBD, being identified as such in the Master Plan. The proposed improvements within the development area are concentrated in this location to strengthen its commercial potential.

North of Broadway on the west end of the CBD is an old industrial area. Mostly within the Chippewa River flood plain, the area contains several vacant warehouses and industrial buildings.

The remainder of Mt. Pleasant's Central Business District is comprised of residential uses, public parks and open space areas. Residential development is primarily older homes, some of which have been converted to two-family and multi-family homes.

The land is legally described as follows:

Commencing at intersection of Oak and Illinois Streets, thence E along Illinois St. to intersection of Illinois and Franklin Streets, thence N along Franklin to intersection of Franklin and Michigan, thence E along Michigan to intersection of Michigan and Fancher, thence N along Fancher to intersection of Fancher and Mosher St., thence W along Mosher to alley in Block 12, Original Plat, between Lansing and Franklin Streets, thence N along alley to intersection with Chippewa Street, thence W along Chippewa Street to intersection of Chippewa and Court Streets, thence S on Court Street to intersection of Court and Mosher, thence W along Mosher to intersection of Mosher and Main, thence N along Main Street to intersection of Main and Pickard Streets, thence W along Pickard approx. 398.5 ft., thence S 230.5 ft., W 20 ft., S 132 Ft., W 181.5 ft., S 181.5 ft., E 313.5 ft. to Washington Street, thence S along Washington Street approx. 485.5 ft., thence W approx. 165 ft. to intersection of Chippewa River and the Ann Arbor Railroad, thence S along Ann Arbor Railroad to intersection with Gorham Road, thence E along Gorham Road to intersection of Gorham and Walnut Streets, thence N along Walnut to intersection of Walnut and Mill, thence E along Mill Street to intersection of Mill and Oak Streets, thence S on Oak to intersection of Oak and Illinois, which is the P.O.B.

D. Description of Improvements:

The following list of improvements is proposed:

<u>Proposed Improvement</u> (see Appendix A for details)	<u>Estimated Time To Complete</u>
1. Downtown Development Director & staff	2025
2. Planning Studies	2025
3. City of Mt. Pleasant financial administration fee	ongoing
4. Parking expansion	2025
5. Parking lot repair and improvement	2025
6. Street lighting improvements and improved public area electric supply	2025
7. Downtown beautification - landscape, flowers, irrigation, banners, etc.	2025
8. Marketing materials	2025
9. Improved signage	2025
10. Underground utilities	2025
11. Additional street furniture	2025
12. Improved access to city park system	2025
13. Sidewalk repair & replacement	2025
14. New sewer lift station Broadway at Oak (done)	2025
15. Street & alley paving & resurfacing	2025
16. Art in public places	2025
17. Downtown art, music or cinema festival	2025
18. Purchase of historic or distressed properties for TIFA redevelopment or remarketing	2025
19. Matching funds for grants	2025
20. Existing Bond Debt	2012

- E. Location, extent, character, and estimated cost of improvements and estimated time required for completion:

See Appendix A.

- F. Construction Stages:

Bonds were sold in 1992 to complete stage 1 improvements including parking lot expansion, parking lot repair and improvement, street lighting, banners and street trees. Other improvements will be made on a pay-as-you-go basis as funds are available, also utilizing special assessment districts and grants which may be available.

Construction of the West Broadway Revitalization Project is expected to begin in the spring of 2007. This \$12 million project will result in the renovation of the former Borden factory into City Hall, a 20+ market rate single family residential condominium development, a new public parking lot and streetscape improvements along West Broadway.

- G. Open Space:

The CBD project, as a major component, may provide new parking lots which constitute open space. Present landscaped areas as outlined in the Master Plan and as listed on streetscape improvements will be upgraded. Additional public open space will be added with the extension of the Riverwalk trail system as part of the West Broadway Revitalization Project.

- H. Ownership:

The Tax Increment Finance Authority has acquired most of the properties to be developed as public parking lots. Following purchase and completion of future parking development, the Authority will deed the properties to the City of Mt. Pleasant (at no additional consideration) or its Economic Development Corporation. The TIFA may also lease and develop land for parking. The TIFA may acquire additional properties for future parking expansion, it may also acquire property for economic development expansion or historic preservation in its district.

- I. Zoning, Streets and Utility Changes Necessary for Development:

The properties in the TIFA district are zoned C-2 (Central Business), OS-1 (Office Service), M-1 (Multiple Family Residential) and I-1 (Industrial). No rezoning is contemplated. As part of streetscape improvements, curb and gutter, sidewalk, and drainage upgrading would be involved.

J. Development Cost and Financing:

The total estimate of public improvement costs through the year 2025 is \$8,571,200. The bonds were sold in 1992 for the amount of \$1,275,000 in accordance with the provisions of Act 450. The authority was informed that, it was able to successfully offer its securities for sale. Public improvements beyond the proceeds of the bond sale will be financed on a pay-as-you-go basis on the non-pledged captured revenue and revenue generated by new development in the CBD. In addition, improvements will be financed with proceeds from special assessments and any grants that may be received. Once the existing bonds are paid, the TIFA will no longer be permitted to capture school tax.

K. Project Benefit:

Not applicable. The project is not for the benefit of any specific party.

L. Procedure for leasing, purchasing or conveying of all or a portion of the development upon completion:

All future properties acquired by the TIFA for municipal parking may be deeded to the City or its Economic Development Corporation. upon completion of development. It is not anticipated that any property will be sold, leased or conveyed to any person or persons, corporate or natural. If any sale, lease or conveyance to person or persons natural or corporate becomes necessary, the City of Mt. Pleasant's property disposition policy will be adhered to.

M. Relocation:

There are approximately 250 persons (as calculated using 1980 census block information) in the development area. The authority shall not acquire any occupied housing units.

N. Priority of Relocation:

Not applicable. There will be no acquisition of occupied residential dwellings or structures.

O. Costs of Relocation:

Not applicable. There will be no acquisition of occupied residential dwellings or structures.

P. Compliance with Act 227:

Not applicable. There will be no acquisition of occupied residential dwellings or structures.

Q. Other Materials:

City of Mt. Pleasant Master Plan – 2006

WBDC Plan – 1984

J J & R Plan – 1987 and 1991

HyettPalma Downtown Blueprint Plan – 2003

Rowe Inc. Parking Study – 2004

M.C. Smith Landscape Study – 2004

Vision 2020 Strategic Plan – 2004

TAX INCREMENT FINANCING PLAN

I. Tax Increment Procedures

- A. The tax increment financing approach is based on the concept of "captured taxable value", which refers to the increase in taxable valuation of the project area in any given year over the value at adoption of the Development Plan. The operational definition of taxable valuation is the taxable value as finally equalized. Tax rates levied on property in the development area, for all units of government, applied to the captured taxable value of the area will become available to finance the development area.

The downtown area has been studied and evaluated on a regular basis as noted by the 1984 Central Business District Plan prepared by WBDC, Inc., the 1987 Mt. Pleasant CBD planning study, the 1990 Downtown Mt. Pleasant Parking and Visual Improvements Study and Capital Improvements Report prepared by Johnson, Johnson & Roy, Inc., and the 2003 HyettPalma Downtown Blueprint Plan. All of these reports refer to the potential for additional growth and improvements in the downtown area. The 2003 HyettPalma Blueprint shows that there are 404,667 square feet of retail and office space in the downtown. In 2003, there was approximately 28,000 square feet of vacant office and retail space. The Blueprint also showed the potential for additional residential development in the CBD. Parking was identified as more of a perceived problem in 2003. However, as revitalization of the downtown continues, there may be the need for more parking in the future.

The studies also call for improved traffic access and circulation, visual improvements, lighting and landscaping. Improvements in these areas are reported necessary to make the downtown area more competitive and attractive to new businesses. Without the improvements called for in the development plan it is unlikely that continued growth will take place or that captured taxable revenues will be available.

- B. Reasons that Plan will result in the development of Captured Taxable Value that could not otherwise be expected:

As outlined in paragraph A of this finance plan, there are approximately 28,000 square feet of vacant space in the downtown. It is unlikely that this space will be economically viable without additional parking, marketing and promotion.

Parking in central business districts is traditionally provided either on-street, in municipal lots, or in private lots. Since it is not possible to create additional on-street parking within the district, the only feasible method of obtaining additional parking in the Central Business District is its creation by the TIFA.

Other improvements listed in Appendix A are beyond the scope of private developers, the City of Mt. Pleasant, individual property owners or merchants. Without these improvements being undertaken by the TIFA, future development or increase in the taxable value (SEV) would be unexpected.

C. Estimate of Captured Taxable Value by Year:

The state equalized value for the Mt. Pleasant Downtown Central Business District development area was \$6,049,900 in 1984 when the district was created. Up to 100% of the increase in all value in the taxable value can be captured for allowable millages. The Authority is capturing 88% of the increase in 2006. This capture will include increase due to new construction as well as all increases due to inflation.

See table within Section D. below for estimated capture of taxable value by year.

Presently, the total millage levied within the development area by all taxing jurisdictions is 50.15 mills based on 2006 approved millage rates. In 2012, the bonds for the streetscape improvements will be paid off and the CBD-TIFA will no longer be able to capture school tax. This will drop the millage rate to 21.85 mills. (See table, pg. 16).

D. Estimate of Captured Revenues by Year:

Year	SEV/ Taxable Value of District*	Amount of Valuation to be Captured*	Millage Rate	100% Captured Amount	88% of Captured Amount
1984	\$6,049,900	\$0 (initial year)	62.1460	\$0 (initial year)	\$0 (initial year)
2006	\$10,348,500	\$8,248,381	50.1485	\$395,591	\$348,120
2007	\$10,555,470	\$8,413,349	50.1485	\$403,503	\$355,082
2008	\$10,766,579	\$8,581,616	50.1485	\$411,573	\$362,184
2009	\$10,981,911	\$8,753,248	50.1485	\$419,804	\$369,428
2010	\$10,768,700	\$8,928,313	50.1485	\$428,200	\$376,816
2011	\$10,984,074	\$9,106,879	50.1485	\$436,764	\$384,353
2012	\$11,203,755	\$9,289,017	50.1485	\$445,500	\$392,040
2013	\$11,427,831	\$9,474,797	21.8500	\$197,668	\$173,948
2014	\$11,656,387	\$9,664,293	21.8500	\$201,621	\$177,427
2015	\$11,889,515	\$9,857,579	21.8500	\$205,654	\$180,975
2016	\$12,127,305	\$10,054,730	21.8500	\$209,767	\$184,595
2017	\$12,369,851	\$10,255,825	21.8500	\$213,962	\$188,287
2018	\$12,617,248	\$10,460,942	21.8500	\$218,241	\$192,052
2019	\$12,869,593	\$10,670,160	21.8500	\$222,606	\$195,894
2020	\$13,126,985	\$10,883,564	21.8500	\$227,058	\$199,811
2021	\$13,389,525	\$11,101,235	21.8500	\$231,600	\$203,808
2022	\$13,657,315	\$11,323,260	21.8500	\$236,232	\$207,884
2023	\$13,930,462	\$11,549,725	21.8500	\$240,956	\$212,041
2024	\$14,209,071	\$11,780,719	21.8500	\$245,775	\$216,282
2025	\$14,493,252	\$12,016,334	21.8500	\$250,691	\$220,608
Totals				\$5,842,767	\$5,141,635
* Assumes 2% increase per year					

Notes:

1. The tax increment financing will be in place for a period ending December 31, 2025 and may be extended in ten year increments after that date.
2. The CBD-TIFA passed a resolution to never capture 100% of the increase in tax value in the district. The maximum amount of increased taxable value to capture has been set at 95%.

The TIFA and the City Commission will annually set the rate to meet debt and contract obligations. Any remaining amounts of capture will be provided to the taxing jurisdictions.

3. The tax increment revenues will be used to repay a TIFA bond issue and any projects identified in Appendix A. Those non-school revenues not pledged will be used to pay for public improvements on a year-to-year basis and other operational expenses.
4. The revenues were estimated by the City Assessor. No new or renovated buildings were included or anticipated in the projection.
5. The plan anticipates capturing up to 95% of all new growth and up to 95% of all growth in property value resulting solely from inflation. In 2006, the CBD-TIFA was capturing 88% and the tables reflect the 88% rate.
6. At its August, 1991 meeting, the Mt. Pleasant Tax Increment Finance Authority passed a resolution not to capture any debt millage levied by any governmental unit after August 22, 1991.
7. The CBD-TIFA, the Brownfield Redevelopment Authority, and the Economic Development Corporation (EDC) Board have entered into a series of creative agreements which will permit the redevelopment of the former Borden Condensing Building in the Central Business District. These agreements permit the establishment of an Obsolete Property Redevelopment Act (OPRA) Certificate for 6 years (2007-2013) for the Borden Building. Another agreement permits the Brownfield Redevelopment Authority to capture the increase in value from the Borden site and contiguous property to pay for eligible brownfield costs.

E. Tax Increment Procedure:

Tax increment revenue to be transmitted to the authority is generated when the current taxable value of all properties within a development area exceeds the initial taxable value of the properties. The initial taxable value is defined in Act 450. The current taxable value refers to the taxable value of all properties, real and personal, within the development area as established each year subsequent to the adoption of the tax increment financing plan. The amount in any one year by which the current taxable value exceeds the initial taxable value, including real and personal property, is defined as the "captured taxable value."

Following adoption of the ordinance establishing the original plan, the city and county treasurers were required by law to transmit to the authority that portion of the tax levy of all taxing units paid each year on the captured taxable value of real and personal property located in the development area. The amounts hereinafter referred to as "tax increment revenues," are deposited by the authority in the "project fund" of the authority.

Tax increment revenues transmitted to the authority can be used as they accrue annually for improvements described in the plan and amendments thereto, can be held to accumulate amounts necessary to make improvements described in the plan and amendments thereto, or can be pledged for debt service on tax increment bonds issued by the authority or general obligation tax increment bonds issued by the city. The tax increment revenues may also be used to pay administrative or similar expenses of the authority as provided in the authority's annual budget.

The authority may use all or a portion of the tax increment revenues for improvements described in the plan and amendments thereto. If bonds are to be sold, the authority or the city may not pledge for annual debt service requirements in excess of 80% of the estimated tax increment revenue to be received from a development area for that year. Should actual tax increment revenues fall below projections, any previously accumulated tax increment revenue may be devoted to retirement of the bonds to the extent provided in the plan and amendments thereto.

Non-school tax increment revenues not required to pay debt service on bonds may be used in the manner provided in the plan and amendments thereto. The authority may expend tax increment revenues only in accordance with the plan and amendments thereto; surplus revenues are returned proportionally to the respective taxing units. The authority determined that beginning in 1999 it will return to the taxing units any tax increment revenues collected in excess of 95% of the total eligible capture amount. In 2007, the TIFA Board was capturing 88% of the eligible capture. This rate will be set annually by the governing body and the TIFA Board.

Bonds issued by the authority or the city pursuant to Act 450 are subject to the Michigan Municipal Finance Act and may mature in not more than thirty years. Bonds pledging tax increment revenues may be issued under Act 450 by either the authority or the City. Bonds issued by the city are general obligations of the city as well. If tax increment revenues are insufficient to pay debt service for any reason, the Michigan Municipal Finance Act provides that if the bond issue has been approved by the electors of the city, the City must meet debt service requirements from its general funds and, if necessary, levy whatever additional taxes are required. If the bond issue has not been approved by the electors, meeting debt service requirements becomes a first budget obligation of the general fund.

A tax increment financing plan may be modified upon approval of the City Commission after notification and hearings as required by Act 450. When the City Commission finds that the purposes for which a tax increment financing plan was established have been accomplished, it may abolish the plan.

F. Maximum Bonded Indebtedness:

The bonded indebtedness shall not exceed \$10 million, or 80% of the projected captured revenues for the term of the tax increment plan. The Authority shall annually submit a report on the tax increment financing account showing the revenue received and the amount and purpose of expenditures from the account. Reports will also be required showing the initial taxable value of the development area and the amount of the captured taxable value retained by the Authority. The report shall be submitted to the Mt. Pleasant City Commission and contain such additional information as the governing body deems necessary.

An opportunity will be made available to the County Board of Commissioners, the public and intermediate school boards to provide input on the fiscal and economic implications of the proposed financing and development plans.

The tax increment financing plan may be modified by the governing body upon notice and after public hearings. The governing body may abolish the tax increment financing plan when it finds that the purpose for which it was established is accomplished.

G. Anticipated Operating and Planning Expenditures:

1. Annual Compensation of Downtown Development Director and staff - \$84,000 per year (\$1,512,000 over 18 years).
2. City of Mt. Pleasant financial administration fee - \$156,000 over 18 years, based on-\$8,700 per year.
3. Planning studies - \$100,000 over 18 years.
4. TIFA land contract obligation. (done)
5. Ongoing annual maintenance for bonded improvements - \$692,000 ending in 2012.

No other current advances in indebtedness have been incurred by the municipality that will be repaid from TIFA revenues.

H. Financing of the Plan:

The Plan will be financed entirely with TIFA revenues.

I. Duration of the Development Plan and Tax Increment Plan:

The Plans are scheduled to expire on December 31, 2025.

J. Estimated impact of tax increment financing on local taxing jurisdictions:

<u>Unit</u>	<u>Mill</u>	<u>% of Total</u>	<u>Estimated Revenues Lost for 2006**</u>
City of Mt. Pleasant	13.60	27.12	\$95,214
Isabella County	6.47	12.90	\$45,297
Gratiot-Isabella RESD	4.30	8.57	\$30,093
Isabella County Transportation Commission	.90	1.80	\$6,301
Isabella County Commission On Aging	.88	1.75	\$6,161
State Education Tax	6.00	11.96	\$42,006
Mt. Pleasant Public Schools*	<u>18.00</u>	<u>35.90</u>	<u>\$123,048</u>
	50.15	100.00%	\$348,120

** The total millage rate fluctuates as millage is added or eliminated. At the August, 1991 meeting, the Tax Increment Finance Authority agreed to not capture any taxing unit's debt millage levied after August, 1991.

** Beginning in 2013, the current streetscape and parking bonds will be paid. At that time, the CBD-TIFA will no longer be able to capture school or RESD tax.

For the purpose of conservative financial projections, it is being assumed that the operational millage of all units will remain constant from 2006 through 2025.

Adopted: February 26, 1985 - TIFA Board
April 15, 1985 - City Commission

Amended: November 14, 1988 - TIFA Board
Adopted: City Commission

Revised: June 25, 1993

Amended: November 8, 2000 - TIFA Board
Adopted: December 11, 2000 - City Commission

Amended: March 14, 2007 – TIFA Board
Adopted: _____ – City Commission