

DDA's capture revenue for enhancement projects

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April 27, 2005 - When discussing a downtown development authority, one may think of a bustling commercial area with stores and shops and maybe a post office — Americana at its best. But that isn't necessarily the reality.

Downtown development authorities (DDAs) are prevalent in lakes area communities like Milford and Walled Lake, where a center of business has existed since the mid-19th century. But they are also operating in places that historically have no downtown, such as Commerce Township.

Michigan lawmakers enacted legislation back in the 1975 to encourage the creation of DDAs to revitalize, rebuild or enhance existing downtown areas. Toward this goal, the legislation enabled districts to utilize tax increment financing (TIF) to generate funding for such improvements. Originally, DDAs were allowed to use TIF to capture tax revenues generated within a DDA above a baseline tax base, monies that would otherwise go to local, county and school taxing authorities. Proposal A of 1994, however, changed the way that schools were financed, and removed the ability of DDAs to capture school tax revenues.

The law still enables DDA districts to utilize TIF to capture funds from local and county taxing authorities within the district. This allows the DDA to capture the tax revenues on property improvements completed within the district the previous year above the base taxable value. This money is then reinvested in the DDA district. Districts also have the option of levying up to 2 mills on property within the DDA district, which generates revenue that also must be reinvested in the DDA district.

Some argue that since the Commerce DDA district isn't situated in an old-time downtown area that it has circumvented the original intent of DDA laws. Commerce DDA officials scoff at those who say that the township DDA is not in a real downtown.

"Were not a cornfield DDA. Commerce is an urbanized area. The population we have makes us an urbanized area," said Commerce DDA Director Wynn Berry. "Commerce has had steady growth since the time I got here in 1965."

Berry merely laughed at the idea that the Commerce DDA area isn't a legitimate downtown and disagrees with those who said it could never be an area like the Milford or Royal Oak downtown districts.

"What will happen when we talk about this 30 years from now, is we'll say 'That is the downtown for Commerce,'" Berry said. "You know how downtowns happened to be — they were created. The question is did you create them 150 years ago or did you happen to create them now. It doesn't make a bit of difference when you made it. If that is your downtown and that is your core urban area and that is the place that people relate to, then that is your downtown. If it was created in 1850 or if it happen in 2005 or 2006, it's still a downtown."

Milford Village DDA Director Ann Barnette said that the village DDA's budget may not be as high as Commerce Township's, but there are a number of projects that are on the horizon in Milford.

The fiscal year for the Milford DDA begins on July 1 and ends on June 30. The Milford DDA budget revenues for Fiscal Year 2004-05, the current budget year, is \$421,762. Barnette said that the number is an estimate.

"The actual revenues are \$367,000, but there was a fund balance that we are drawing from," Barnette said.

The DDA has the option of saving its revenues for a larger project or can spend the money on current projects, according to Barnette.

"That is the budgeting process and we usually make those kinds of decisions on a project-to-project basis," Barnette said. "And that may go over each budget year. We have a couple of very large projects (on the table) so we are going to be looking for larger sources of revenue."

Barnette said the DDA in Milford tries to promote growth within the village area but also tries to maintain a special ambiance in downtown Milford.

"The big (project on the planning table) is we are involved in a land acquisition deal for the gas station on the corner of Commerce and Main," Barnette said. "It's the Sunoco station. That area of town is experiencing a parking pinch. The west lot behind O'Callahan's, the old Red Dog, is congested. And the Mill Valley development is getting a lot of activity. So, we are looking for additional parking in town. Our philosophy is smart growth and in fill, which is to use as much area in the downtown for buildings rather than in the suburban area of town were you see places with large amount of parking all around. You don't want to do that in a downtown setting."

Barnette said that the Sunoco station project involves a parking structure that will be behind a planned structure that will be privately owned. The parking structure will accommodate the additional parking that is needed in the village area.

"Our idea is to put a signature three-story building on the corner," Barnette said, "and cantilever a small parking structure in the back of the building over the existing Mill Valley parking lot."

Barnette said the grade change behind the proposed building site will allow for the new parking structure to be built.

"There are really three goals we're trying to accomplish with that," Barnette said. "Commerce and Main should have a signature retailer at the corner. It's a better use for that corner. There is also contamination under the (Sunoco) site and we'll be able to remediate that. The third goal is to add parking and a building at the same time. It goes along with the smart growth concept and it won't undermine the integrity of the downtown."

"We can put the project together and let a developer do the whole thing," Barnette said. "The building will be privately owned and privately leased. We will retain ownership of the parking lot. A three-story structure on the corner of Commerce Road and Main is a big deal. We've been looking at this for three years and it's a high priority."

Barnette admitted that the Milford DDA isn't one of the larger DDAs in the area, and that it has a long way to go in developing plans to fit into its DDA concept.

"We're not a Commerce or Royal Oak," Barnette said. "They've been buying and developing property for years. If you compare us to Commerce, then we're like a little speck, a fly on somebody's shoulder."

Barnette may be right. The Commerce DDA's annual budget for 2005 is \$37.8 million, money generated through bonding and a TIF plan. Commerce DDA Director Berry laughed when he heard Barnette's comparison comment.

"We have been at this for a long time," Berry said. "Since 1984, in fact. So, we've had a head start on the others."

Berry, a long time Commerce resident, has stirred up his share of controversy over the years. From the Martin Road extension proposal that would push Martin Road south to Pontiac Trail, to

the new township library, a proposed Taubman upscale mall project and a recently announced performing arts center proposal, the Commerce DDA seeks to completely transform the two golf courses it purchased in 2003 and 2004.

Berry is quick to point out all the DDA has done for the community.

"We're helping the township in acquiring a new township hall and library," Berry said.

Where the Milford Village DDA is concentrated in a built-up area along Milford Road, the Commerce DDA is wide open for development. The Commerce DDA boundaries are 14 Mile in the southeastern end of the township, Haggerty Road on the east, Richardson Road on the north and western boundaries crisscrossing in the Welch Road area back down to Pontiac Trail on the southwestern end.

Berry admits the aggressive nature of the Commerce DDA has been to its advantage. Revenues are way up, which makes the proposed DDA developments that much easier.

A majority of the Commerce DDA's current budget is slated to pay off the land contract deals of \$19 million for the recent Eldorado and Links at Pinewood golf course purchases.

"Our captured dollars have increased over the years and we have been able to acquire favorable rates for bonding," Berry said. "We borrowed money at less than 2 percent and that allowed us to do a lot of things that other DDAs have not been able to do. We borrowed through a low floater rate that allowed us to leverage significantly off our revenues that we were able to get from our captured value. And we were able to purchase some significant properties."

In the last two years, the Commerce DDA has been on a buying spree of significant proportions. Last summer the DDA purchased the Links at Pinewood for an estimated \$14 million. The Links, which is approximately 120 acres, is the second golf course purchased by the DDA in just a 13-month period. In mid-June 2003, the DDA purchased the El Dorado Golf Course, consisting of approximately 180 acres, for \$10 million. El Dorado is located on the north side of Pontiac Trail west of Haggerty Road at 2869 Pontiac Trail. Links at Pinewood is located just north of El Dorado, west of Martin Road and south of Richardson at 8600 PGA Drive.

The DDA is still in negotiations with Taubman Co. Inc., owners of the Twelve Oaks Mall in Novi and Great Lakes Crossing in Auburn Hills, over a new upscale shopping center on the El Dorado grounds. A portion of the remainder of the golf courses may be used to extend Martin Road south to Pontiac Trail and a new east-west roadway, in addition to residential developments.

Two weeks ago Berry announced the DDA was looking at the construction of a performing arts center with about a thousand seats and 20,000 to 40,000 square feet of retail space.

"We would like to have some resident artists in house," Berry said at the time.

With the purchase of the golf courses, the Commerce DDA now has the pieces in place to create a central commercial and downtown area for the township.

Berry admits the Martin Road extension is the last hurdle that needs to be cleared before the new downtown project can move forward at full throttle. Berry also said that he hopes to be able to utilize DDA funds to widen Haggerty Road to five lanes. But that plan has been iced as the surrounding communities of West Bloomfield and White Lake have approved resolutions to oppose the widening of Haggerty Road. Still, the Commerce DDA continues to make plans for the future.

"The purchase of the golf courses have opened the window to a new town hall and library. I think we have been on the ball when it comes to purchasing properties," Berry said. "I think that we

have been innovative. "

Commerce isn't the only community utilizing the DDA concept to create a downtown. Wixom is embarking on a \$240-million downtown which broke ground earlier this year. The new Village Center Area (VCA) is situated just north and east of a small intersection that was the commercial district for Wixom more than a half a century ago, at the corner of Wixom Road and Pontiac Trail where the old rail yard once stood.

"There was a thriving downtown there until the great fire of 1929 that burned it to the ground," said Wixom Assistant City Manager Tony Nowicki.

The Wixom DDA has a budget of \$2.82 million for the 2004-05 Fiscal Year that expires on June 30. Revenues are expected to be in the \$5.3 million range. There will be a fund balance of over \$2 million that will spill into the 2005-06 Fiscal Year budget.

In February, design guidelines for buildings and spaces within the VCA were adopted by the Wixom City Council.

The overall appearance of the downtown will be that of a late-1800s or early-1900s design concept, according to Nowicki.

"The VCA is essentially the same district as the DDA. The \$5.3 million is being used to relocate a lot of the utilities along Pontiac Trail and some of Wixom Road," Nowicki said.

The VCA totals 78 acres and is situated north of Pontiac Trail and east of the northern leg of Wixom Road. Construction has begun at the site, situated across from the civic center site on Pontiac Trail.

Nowicki said that the DDA is burying DTE, Comcast, McCloud and fiber optic cables and utility lines.

"The balance will go to build Sibley Square," Nowicki said of DDA revenues. "That involves rebuilding the pond area between the City Hall and the library. It will also be used to rebuild the south side of Pontiac Trail to put in angle parking and to convert Pontiac Trail into our Main Street."

Sibley Square is a community area designed as a central open space to be incorporated across from the city civic center site, complete with trees, metal park benches, decorative brick sidewalks, and street lamps. Sibley Square will also consist of a performance square and a gazebo, and a tree-lined area for the public. Construction is expected to begin in June.

In addition, the civic center area will be developed between the two buildings. A clock tower will be added, canopy trees will drape over lawn strips, and a water feature will be surrounded by decorative concrete risers and arching water jets.

All the roads and buildings in the VCA, a Cohen and Robinson project, are expected to cost over \$220 million.

"We are in the design stage for all the public spaces. We are going out for bids for that in the next couple of weeks," Nowicki said.

City officials don't foresee the problems that confounded the city of Novi and its DDA in pulling off a new downtown project. In Novi, the downtown project has encountered a number of financial problems that has resulted in empty store fronts. To Novi's credit, Nowicki said, its downtown is becoming popular among those looking for places to eat or relax on the weekends.

"You'd never know there was a problem driving by on Friday night," Nowicki said.

There has also been talk of moving the 52-1 District Court from Novi into the Wixom DDA/VCA area. Nowicki said such speculation is premature.

Commerce's Berry said including a governmental link, such as a library or municipal hall, or courthouse or even a post office outlet, will boost the local traffic and enhance the budding downtown development.

Berry said that even a small DDA can make significant improvement in a community and those with existing downtowns, a DDA and a TIF plan can improve the downtown area in places like Walled Lake. He also said that with a historic downtown already in place, increased foot traffic can only help.

Walled Lake DDA Director Charlene Long said the improvements made in the downtown created along the trail that once took travelers by wagon from the city of Pontiac to Ann Arbor, is improving the quality of life in downtown Walled Lake. One of her goals is to increase foot traffic within the Walled Lake DDA area and that is the reason for the push to beautify downtown Walled Lake.

"Our entire budget comes from a TIF plan," Long said. "And we are using that money to increase the quality of life in the downtown area."

The Walled Lake DDA's 2004-05 Fiscal Year budget that runs through June is about \$1 million. Of that \$1 million, \$987,588 comes from a TIF plan.

The Walled Lake DDA boundaries are Walled Lake Drive on the south, Pontiac Trail on the western end going north all the way to South Commerce Road and then, basically, over to Decker Road.

"It encompass most of the commercial property in the city," Long said.

The major project conducted by the DDA was the Maple Road extension which opened in 1999. DDA funds paid approximately \$2 million toward the project, with an additional \$4.4 million coming from federal grants.

At one point Maple Road ended at Pontiac Trail. It now extends to West Maple Road and on through the city of Wixom. Wixom also chipped in funds for the road extension. Long said that projects like the Maple Road extension are definitely a plus for the community.

"That was a huge project," Long said. "We are also in the fifth year of the Oakland County Main Street program. With that program we were required to put together four new committees. Those committees include the Promotion Committee, Design Committee, Economic Restructuring Committee and an Executive Committee."

Since the creation of the Promotion Committee there have been a number of DDA-sponsored events held in Walled Lake, including the lakefront art festival. The Economic Committee works on attracting new businesses to the DDA district. Long said the DDA is continually working on plans to lure new businesses into town.

The creation of the "Main Street" program was designed to help older downtowns revitalize themselves and bring in new businesses, according to Long.

"The Design Committee is putting together a sign and facade grant program and the businesses will be able to apply for funds for new signage. We are also continuing with our trash can and park bench program," Long said. "We already have some of those installed in the downtown area

are getting ready to install some more. "

A piece of property owned by the DDA, which was acquired during the time of the Maple Road extension project, was recently sold for about \$400,000; and a new project is currently being planned by a developer.

Highland Township DDA Director Jill Bahm said although the DDA budget for the 2005 calendar year is about \$120,000, there is still much to do. Bahm, who was hired in January, admitted that the Highland DDA is still young but working on growth. In the next 10 years it hopes to increase its budget by five-fold.

"This is the first year we have been collecting (revenues)," Bahm said. "But we're working on street lighting standards. We are beginning to install some of those right now."

The Highland DDA is basically along Milford Road from north of Milford High School to Wardlow Road, and on Highland Road (M-59) near Duck Lake Road.

"We are working on architectural standards and design guidelines for the historical Highland Station area," Bahm said. "We are working with local developers who are expressing interest on redeveloping areas within the Highland Station area. We will also be working on our application for the Oakland County Main Street Program."

The Highland DDA has been around since 1999, but Bahm is the first director the DDA has ever had. She currently works part time, splitting her time between the DDA and raising two children.

Twenty-five years down the line, the Highland DDA is hoping to capture over \$1.4 million in TIF revenues each year.

"It does take time to build up your DDA," Commerce's Berry said. "This isn't an overnight thing. We started just as the others did, moving step by step."

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