

Information about the Ann Arbor Downtown Development Authority

History of the Ann Arbor DDA

The Downtown Development Authority Act was passed by the State of Michigan in 1975 to give municipalities an economic development tool they could use to rebuild and reposition their downtowns. Although somewhat resistant to regional economic trends, downtown Ann Arbor was dramatically impacted when Arborland & Briarwood were built, and so in the early 1980's City Council voted to create the Ann Arbor DDA.

Purpose of the Ann Arbor DDA

The DDA is the only agency whose sole purpose is to safeguard the growth and vitality of the downtown. The DDA is a careful steward, and relies on long-term planning, an on-going dialogue with the community, and an ongoing analysis of national trends as it conducts its work. The DDA is well-known for taking on large infrastructure projects such as constructing parking structures and installing transformative streetscapes. But the DDA also works on a variety of smaller projects that help the community reach its economic development, sustainability, affordable housing, and transportation goals.

The world has changed a great deal in the past 20+ years and so have the priorities of the DDA. In the 1980's no one could have envisioned the enormous impact of internet retail and the importance of regionalism. What hasn't changed is that the downtown continues to be the heart of our community and a resource for citizens throughout Washtenaw County. The Ann Arbor DDA works to support a downtown that continues to provide a wide spectrum of residential, commercial and service offerings, from upscale to funky, including homegrown and one-of-a-kind businesses, historic buildings, places of worship, recreational centers, and a multitude of social gathering opportunities.

Throughout the years the DDA's mission has remained the same: "To undertake public improvements that have the greatest impact in strengthening the downtown area and attracting new private investments."

This mission is at the heart of everything the DDA does, including managing the public parking system, commissioning planning studies, taking on capital improvements projects, and providing grants for things like transportation initiatives, energy audits for downtown businesses, and affordable housing. In everything it does, the DDA strives to enhance downtown Ann Arbor's attractiveness as a regional marketplace for goods and services, an employment center, a community-gathering place, a place to live, and the cultural and historical core of the community.

Ann Arbor DDA District

The Ann Arbor DDA District encompasses all or part of 67 city blocks, or approximately 271 acres. Of this total, 80 acres are public rights-of-way, 72 acres are in public use, 42 acres contain UM properties, and approximately 1/3 of the DDA District is contained within an

historic district. Only 39% of the total DDA District is privately owned and has no development restrictions, such as a floodway/floodplain designation.

Ann Arbor DDA funding

The State Act enables the DDA to capture some of the incremental portion of the tax levy on the assessed value of real and personal property located in the DDA District that is due to new construction. The DDA uses its Tax increment financing (TIF) to make public improvements that will encourage private-sector reinvestment and development in the downtown.

It is interesting to note that the Ann Arbor DDA TIF doesn't include taxes generated by value increases due to inflation or when properties are resold with a higher market value. Thus, as the A2 DDA works to generate economic activity, one of the offshoot benefits is tax revenue growth to the City and other taxing authorities through increased valuations of real and personal property in the downtown.

The DDA's TIF doesn't include tax increases due to inflation or when properties are resold and thus revalued in the marketplace. The taxes generated from these increases in value goes to the City and the other taxing authorities. Between 2002 and 2011 the City decreased its tax levy from 17.0025 to 16.4660, but the following illustration shows the tax levy as remaining constant as a way of showing a year-to-year comparison:

Calendar Year 2002	City taxable value in the DDA from real property	\$150,505,961
Calendar Year 2011	City taxable value in the DDA from real property	<u>\$234,525,675</u>
	Net increase real property taxable value between 2002 & 2011	\$84,019,714
	(55.82% increase in value in less than 10 years)	
CY 2002 taxes captured by the City (City tax levy: 17.0025)		\$2,558,978
CY 2011 taxes captured by the City if the same tax levy were in place		<u>\$3,987,523</u>
	Increase	\$1,428,545

As mentioned, over the past decade the City reduced its tax levy to 16.4660, but the illustration still documents that the City is receiving more tax dollars out of the DDA District than it did a decade ago. FYI, in FY 2012, with its tax levy set at 16.4660 the City's tax capture in the DDA was \$4,138,419, which includes both real property as well as personal property.

In addition to TIF, parking revenues are the Ann Arbor DDA's other major source of funds. The DDA took over the Ann Arbor off-street public parking system in 1992, at a time when the City's off-street parking system was annually losing money and the City's 7 parking structures had suffered extreme deterioration. Under the DDA's management, 6 of the structures have been either completely replaced or extensively repaired, and the final replacement structure (1st & Washington) is currently under construction. Just as importantly, under the DDA's management the public parking system is now financially healthy, and is generating enough revenues to provide the City with approximately \$3,100,000/year for its General Fund.

Downtown Taxes

In 2012 the total taxable value available to all the taxing entities in the DDA District was \$251,331,175, from which a total of \$22,013,838 in taxes was captured as follows:

Ann Arbor Public Schools including WISD & State Education Tax:	\$9,978,773	45%
City of Ann Arbor	\$4,138,419	19%
Washtenaw County	\$1,445,607	6%
Washtenaw Community College	\$934,349	4%
Ann Arbor District Library	\$389,563	2%
L DFA SmartZone	\$1,436,973	7%
DDA	<u>\$3,690,154</u>	17%
	\$22,013,838	

As noted, the Ann Arbor/Ypsilanti L DFA SmartZone is also capturing a TIF in the DDA District, which it then directs to SPARK to advance the Ann Arbor region as a desired place for business location and expansion. Thus, as the DDA works to encourage new downtown development and reinvestment, another important benefit to the Ann Arbor community is the impact of L DFA Smart Zone funds to encourage regional economic development.

Of the DDA's TIF, in 2012 the amounts were drawn from the following portions:

City of Ann Arbor less AATA	\$1,934,668
AATA	\$ 276,036
Washtenaw County	\$ 772,229
Washtenaw Community College	\$ 499,120
Ann Arbor District Library	<u>\$ 208,101</u>
	\$3,690,154

DDA support for the City

The DDA works to support the City in many ways, including direct grants, taking on projects at the request of the City, or infrastructure projects. In the past decade, this has included:

Once it was able to turn around the finances of the off-street public parking system, the DDA began transferring significant parking revenues to the City. With this transfer amount increased to 17% gross revenues, this year the DDA will transfer more than \$3,100,000 to the City General Fund from parking.

In 2007 the City received notice that many curb ramps installed as part of road resurfacing and other projects were not in compliance with ADA specifications. This included ramps in the DDA District. The DDA took on the replacement of these ramps and paid \$1,860,000 for the project from its TIF, thus enabling the City to focus on ramp replacements elsewhere in the city.

In 2003 the City determined that it would utilize its right-of-first-refusal to purchase the former YMCA site, and it asked the DDA for assistance. The DDA agreed to provide \$1,750,000 using TIF funds toward the \$3,500,000 purchase price, and has been paying half of the annual bank interest charges ever since. Also, at the request of City Council in 2007, the DDA oversaw the demolition of the form YMCA building and spent \$1,500,000 in TIF for this project

In 2008 the DDA approved an \$8,000,000 grant to the City of Ann Arbor in support of its new municipal center, as well as a \$200,000 grant to pay the City's LEED certification costs. This translates to an annual grant in the amount of \$508,608 from the DDA's TIF to the City.

In addition to reimbursing for all bond-issuance costs, the DDA also pays the City a Municipal Overhead Charge of approximately 3% when the City issues bonds on its behalf. For the Library Lane parking structure/Fifth & Division project bond issued in 2010, the DDA payment to the City was approximately \$1,400,000, which was split between DDA TIF and Parking funds.

In 2007 the DDA provided the City with a grant of \$630,000 from its TIF to retrofit the 1,400 downtown street lights to LED technology. The cost savings to the City was estimated at \$107/year per globe light.

Other grants to the City or projects on behalf of the City in the past decade included:

2012 Baker Commons new roof and energy saving equipment	\$260,000 TIF
2008 Solar power demonstration project at the Farmers Market	\$100,000 TIF
2007 Sculpture Plaza repairs and refurbishment	\$300,000 TIF
2007 Public Services grant for a sanitary sewer study	\$95,000 TIF
2007 Community Development housing needs assessment	\$15,000 TIF
2007 Allen Creek Greenway Taskforce expenses	\$11,500 TIF
2005 City's Calthorpe Strategies Project	\$175,000 TIF
2005 Kempf House repairs and upgrades	\$128,500 TIF
2004 & 2005 grant for downtown ash borer tree replacements	\$100,000 TIF
2003 Public Services Non-Motorized Plan update	\$20,000 Parking
2003 Liberty Plaza Park repairs	\$200,000 TIF
2003 Baker Commons chiller unit & mechanical engineer	\$93,445 TIF

The DDA has spent many millions of TIF dollars in the downtown on City infrastructure, including new water mains, many dozens of trash cans, expensive alley repairs, and of course miles of sidewalk repairs. All of the improvements installed by the DDA are owned by the City.

The DDA has also provided all the funds to construct the Ann Ashley parking structure (paid for entirely from the DDA's TIF), the Liberty Square parking structure (paid for entirely from the DDA's TIF), the Fourth & Washington parking structure, the City-owned portion of the Forest Avenue parking structure, the Library Lane parking structure (a large portion paid for using TIF), and the new First & Washington parking structure. The DDA also provided all the funds to add a floor to the Fourth & William parking structure and completely renovate the Maynard parking structure. All of these structures are now assets on the City's books.

Sample List of DDA Projects

To help it accomplish its mission (“To undertake public improvements that have the greatest impact in strengthening the downtown area and attracting new private investments”) the DDA utilizes a number of strategies and values, such as walkability, encouraging a diversity of people and businesses, improving public infrastructure, etc. to help it determine its projects. A short sample of DDA projects includes:

Streetscape improvements to help make downtown more walkable/pedestrian-friendly

New concrete & brick sidewalks, pedestrian-scale lights, and benches, on E & W Liberty, E & W Washington, N & S Main, N & S Fourth, N & S Fifth, S Division, S. State, Maynard, S. U., Church, Forest, E. U., and numerous other downtown streets. All of these millions of dollars of improvements have been paid for by the DDA using its TIF.

Many dozens of new sidewalk trash cans, including most recently, the plastic street cans for automated service, paid for by the DDA using its TIF.

Many dozens of downtown tree replacements, including 86 trees in 2007, and 59 trees in 2008, all of them paid for by the DDA using its TIF.

Repairs of nearly every downtown alley, including repaving in concrete to improve deliveries and solid waste service. All paid for using DDA TIF

Support to encourage a diversity of residents downtown

Affordable housing grants: more than \$2 million to groups such as Ann Arbor Housing Commission, Avalon, Dawn Farm, and the Delonis Center. Approximately \$600,000 of these housing funds have been given to the Ann Arbor Housing Commission, whose buildings are owned by the City. All of these grant dollars were TIF funds.

Partnerships grants to encourage mixed use and residential projects in downtown. For instance the DDA will be providing a \$400,000 TIF grant to Village Green to subsidize the cost for 4 affordable housing units as part of its support for the project which in turn helped the developer give \$3,100,000 to the City of Ann Arbor for the land.

TIF funding for a Downtown Residents Handbook to Downtown Living in 2004.

Support to encourage a mix of businesses in downtown, including independent businesses

TIF grants to the four downtown area associations and Think Local First organization in support of their efforts to encourage downtown businesses. This has included grants for special events, holiday lights, murals to discourage graffiti, free anti-graffiti materials for downtown businesses, and grants for new association websites & for shared advertising initiatives.

TIF grants for studies, including studies about local currencies, Art Fair, etc.

The DDA has sponsored downtown association reps (and members of City Council) to attend the International Downtown Association annual conference to gain ideas. The DDA paid for these learning sessions using its TIF funds.

Sustainability projects to help us meet our community environmental goals

TIF grant to the City to transition 100% downtown street lights to LED. First downtown in the nation with LED streetlights.

TIF grant for solar demonstration project at the Farmers Market in support of the City being a Solar City.

DDA's Downtown Energy Saving Grant Program has provided 118 free energy audits to downtown businesses; the DDA program has also helped finance over 30 downtown energy improvement projects. This program is paid for entirely using TIF funds.

Parking improvements

The constructions of the Ann Ashley (paid for entirely using TIF), Liberty Square (paid for entirely using TIF), Fourth & Washington, Forest, and Library Lane (substantial amount paid for using TIF) parking structures. The Maynard structure was completely renovated, and the Fourth & William Structure was completely renovated and had an additional floor added. The First & Washington structure will be completed in early 2013.

Millions of dollars have been invested in new parking equipment for the structures and new on-street parking meters. TIF was used for much of these equipment purchases.

Millions of dollars have been spent repairing and maintaining the parking structures

New public parking lots have been created to serve downtown visitors including the S. Ashley (Kline) lot, the 5th & William (former YMCA) lot, and 5th & Huron lot. The S. Ashley parking lot was entirely paid for using TIF.

Historic Preservation

Historic façade grant to the Hands On Museum (City owned building). TIF grant.

Historic façade grants to the Michigan Theater (until recently a City owned building) TIF grants.

Historic building grant given to the Kempf House (City owned building) TIF grant.

Seed funding for the Historic Street Exhibit Program

Grant to fund the recent Historic Ann Arbor map. TIF grant.

Miscellaneous Projects

Water main and sanitary sewer installations paid for entirely using TIF.

Concrete pads for shared trash compactors and electrical transformer locations paid for entirely using TIF.

Annual printing of the downtown walk map + State of the Downtown Report paid for entirely using TIF.

Measurements of the DDA's Success As A Vital Economic Development Engine

Since the DDA's creation, the private sector has invested **\$334 million** in new downtown developments, plus incalculable amounts into business renovations, expansions, improvements, and investments. (The number shown is taken from City building permit valuations: the actual value may be much higher).

Since the DDA's creation, 3.1 million square feet of new development has been constructed in the DDA. There is nowhere near this amount of new construction anywhere else in the core area including areas immediately abutting UM campus such as Lower Town.

The DDA's stewardship has encouraged quality-building and business investment in the downtown, even during Michigan's most recent difficult economic times.

- Despite making up **less than 2% of the City's land area**, since 2007-08, the DDA District has accounted for about **7.3%** of the total number of building permits issued by the City, and **37.5%** of the value of construction that has occurred annually.
- Last year, the total building permit valuation of private construction outside of the DDA equaled \$77,094,981 (the city consists of 27.41 square miles excluding the DDA). And the total valuation within the DDA equaled \$42,302,150 (the DDA consists of .42 square miles). Comparing the two we see that private construction valuation **outside of the DDA consisted of \$2.8 million/sq mile**. Private construction value **inside of the DDA consisted of \$100.7 million/sq mile**.
- In addition to helping increase the City's tax capture, the private sector development in the DDA has also helped the City generate new building, planning, and inspection fees. The amount in 2011 alone was nearly \$600,000.

DDA Board and staff

The State of Michigan DDA Act sets forward that the DDA is under the control of a volunteer board appointed by the Mayor, and whose members serve four-year terms, with membership as follows:

- 1 seat is reserved for a resident from within the DDA District
- 1 seat is reserved for the chief executive officer of the municipality
- The majority of seats shall be persons with a property interest in the downtown or work downtown

Despite its large budget, the DDA staff has remained small. There are only four full time staff members on the DDA staff. Nearly all the DDA funds are utilized to pay debt service, operate the public parking system or construct infrastructure on behalf of the City.