



Blissfield DDA/Main Street
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September 21, 2020

Response to Recommended Motion

“The DDA has worked on the Coach Light Plaza project for over a year. The goal and intentions for this project are phenomenal and the whole reason why DDA TIF districts are created. The design to work and restore a deteriorating property in the district is important, like Director Marks states, to increasing property values and therefore property taxes. Though an item to remember is that with the ownership of the property, the value of Coach Light Plaza will no longer be contributing to the Village taxes. This includes the schools and other entities. With increasing stress on the schools and the Village’s general fund a removal of one of the larger commercial properties would possibly have a negative effect on the General budget, impacting services.”

As Administrator Frey states, the Coach Light Plaza project is indeed why the DDA districts where created.

From PA 57 125.4201a

- (a) That there exists in this state conditions of property value deterioration detrimental to the state economy and the economic growth of the state and its local unites of government.
- (b) That government programs are desirable and necessary to eliminate the causes of property value deterioration thereby benefiting the economic growth of the state.
- (c) That it is appropriate to finance these government programs by means available to the state and local unites of government in the state, including tax increment financing.
- (d) That tax increment financing is a government financing program that contributes to economic growth and development by dedicating a portion of the increase in the tax base resulting from economic growth and development to facilities, structures, or improvements within a development area thereby facilitating economic growth and development.
- (e) That it is necessary for the legislature to exercise its power to legislate tax increment financing as authorized in this part and in the exercise of this power to mandate the transfer of tax increment revenues by city, village, township, school district, and county treasures to authorities created under this part in order to effectuate the legislative government programs to eliminate property value deterioration and to promote economic growth.
- (f) That halting property value deterioration and promoting economic growth in the state are essential government functions and constitute essential public purpose.
- (g) That economic development strengthens the tax base upon which local unites of government rely and that government programs to eliminate property value deterioration benefit local units of government and are for the use of local unites of government.

MISSION STATEMENT

With enthusiastic volunteers, hard work and inspiration, we will preserve the structures of yesterday, support our labors of today, and build our dreams of tomorrow. This will establish and maintain a prosperous and welcoming community for stakeholders, visitors and surrounding communities.

Board Members: Brenda Butler, Scott Croft, Bob Valdez, Mike Gunter, Sandy Witt, Barb McHenry,
Laura Nichols, Cindy Zanger

(h) That the provisions of this part are enacted to provide a means for local units of government to eliminate property value deterioration and to promote economic growth in the communities served by those local units of government.

As stated at the previous Council meeting held on September 14, 2020, the DDA is suggesting a triple net lease with the tenants. A **triple net lease (triple-Net or NNN)** is a **lease** agreement on a property whereby the tenant or lessee promises to pay all the expenses of the property including real estate taxes, building insurance, and maintenance. This would eliminate the loss of the majority of tax revenues. With the increase of property value after the completion of work to the façade and buildings, we would increase the tax revenues for the village, township, school district, and county.

“Though the property would be purchased through the DDA, it would ultimately be a property of the Village. This means that the Village residents would ultimately be responsible and owners of the property. The purchase would add to the Village debt limit, which may impact the ability to the property fund upcoming large-scale and costly infrastructure projects. I do want to mention, when I looked at our debt load this spring we are in a good position. The WWTP will be impacting our limit with the current increase in costs. The upcoming infrastructure projects that will be facing the Village are necessary for public health and safety. Some of these projects are required and will need to be our top priority.”

From PA 57 125.4213a

(4) The municipality shall not be liable on bonds or notes of the authority issued pursuant to this section and the bonds or notes shall not be a debt of the municipality.

This means that the Village would not have any liability and the purchase of the property **DOES NOT** become a debt of the Village and that it would not affect the debt limit since it is **NOT** a Village debt.

“Another item to consider is the debt payment. This payment is being proposed to be paid by the rental of the long-term tenants. Just like any private property owner, you are never guaranteed rents. Renters may not pay for months, which may require legal costs to rectify. There is also the possibility of the unfortunate event of a business going under and thus not paying rent. These possibilities, if enough renters go out, would put the debt payment burden on the DDA. It is important to remember the DDA sunsets in 2022. If not renewed by the future council at that time, the Village would be the property owner.”

As provided in the pro-forma information by Black Raven Architects, the DDA would have a reserve account. Even though this account would primarily be used for property maintenance, the funds would be there to aid the DDA. Over the past several months, the DDA has given loans to local businesses for COVID relief. These funds are repaid monthly from the businesses and each business was set up through an ACH payment. In banking, **ACH** stands for Automated Clearing House, which is a network that coordinates electronic payments and automated money transfers. **ACH** is a way to move money between banks without using paper checks, wire transfers, credit card networks, or cash. We could set up a similar process with the tenants of the plaza. As of September 14, 2020, Blissfield Village Council voted to begin the process of renewing the DDA TIF by giving permission to DDA Director Marks to allow RFPs to be sent out to consultants. These consultants would go through the process with the DDA to make sure proper steps and procedures are in place and help finalize the TIF for Blissfield. This process,

once started, would take approximately 6 months to complete. The Blissfield DDA TIF renewal process would be completed way before the “sunset” of 2022.

“This leads into the next reason for not purchasing property. Villages are not in the business of being property owners. The sole responsibility of municipal government is to provide services and support to residents and businesses. Strip malls, like Director Marks states, have a poor track record of ownership. This property has been for sale for a number of years. A local strip mall in my home town has been for sale since around 2012 and just recently sold. The intention to return this property back to the private sector would see a loss in the hundreds of thousands due to the sale price that would have to be marketed and the investments that would be needed to be put into the property to sell.”

Actually Villages, Cities, and DDA’s are purchasing properties all over the state to provide stability as well as economic development opportunities to their own local areas. While it isn’t the village’s/city’s main priority, it would be a DDA’s. Below are a few links sharing examples of property purchases in Michigan. The DDA board feels one of the reasons for purchasing the property is to help the property from becoming blighted or completely vacant due to the property not being sold and improved. It would be a return of investment since the initial improvement expenses would be included with the cost to purchase the property. After completion, the DDA could list the property for sale. It would be more attractive for buyers/investors because the improvements would have taken place. Because of the reserve account, the DDA, while having the plaza listed, could still maintain the property until a reasonable offer is presented. This would allow for the opportunity for a net profit for the DDA.

https://www.downtownfarmington.org/news_detail_T6_R43.php

<https://www.lenconnect.com/news/20191120/tecumseh-purchases-hamblin-property>

<https://www.manisteenews.com/local-news/article/DDA-to-discuss-potential-sale-of-American-14502013.php>

<https://www.traverseticker.com/news/city-to-vote-on-parking-deck-property-purchase/>

“My overall reasoning why the purchase of the property, does not mean I recommend not investing in this project. The DDA already has tools in its arsenal to meet the goal of improving a blighted property, increase property values/taxes, and make our town better. I strongly urged from the beginning to utilize these tools. The Village is currently engaged in RRC. This process requires the Village to prepare a property information packet to assist in the market and eventual purchase of the property by a private individual/company. The DDA has already provide good tools to help market the property. This includes façade drawings, an un-biased property appraisal, and connections for the overall improvement. The DDA also has tools that can be a benefit for the owner and Village as a whole. This includes a potential \$25,000 grant per year façade investment for a total of \$100,000, payment of repaving the parking lot, and possible investment in a large grant to help lower the purchase price for the potential owner with a stipulation that the property have façade investments put in. These are all possible options and tools the DDA has available that does not burden the Village with a large debt. We have also

worked to have long term leases signed for a potential private owner, which is a benefit for selling the property.”

While Blissfield is RRC (Redevelopment Ready Communities) engaged, we have a long way to go. This process has taken communities up to 2 years to complete. I would also foresee another year after completion before any investors or developers being brought in to develop this property. Even then, there is no guaranty that they would purchase the plaza and develop the property. The DDA’s façade improvement is for the whole TIF district and allows for a maximum of \$15,000 per project spread over 3 years. (The façade grant pays for half of the project, up to \$30,000) The façade grant does not cover parking lots or structures, As stated on the application it covers the following:

- a. Exterior brick or wall surface cleaning
- b. Masonry/mortar joint repair
- c. Patching, staining or painting of façade walls (not unpainted brick)
- d. Addition or refurbishment of awnings
- e. Window and door repairs and/or replacement
- f. Repair or replacement of non-structural features such as cornices, parapets or similar architectural features
- g. Exterior attached lighting
- h. Rehabilitation of historic features
- i. Sign Removal, repair or replacement
- j. Removal of false facades, rooflines or overhangs not original to the structure

I am unaware of the opportunity Administrator Frey speaks of with a \$100,000 in grant funds as the current TIF collection is approximately \$107,000 per year.

Again, as previously stated, this is not a Village debt so it would not be a village burden. The long-term leases mentioned were discussed with owners as an option with the DDA purchasing, not other hypothetical buyers.

This is an important project to our community. I hope that all of you can agree and see the importance of this project and help the DDA move forward.

If you have any questions, please reach out to Director Marks.