Recommendations for Diversifying the Tax Base of Luna Pier, Michigan

Michigan State University
Urban and Regional Planning Practicum 2011

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Client and Sponsor

• Greg Stewart – City Administrator
Scope of Services

Assess:

- Physical conditions
- Market conditions
- Potential tourism
Agenda

Luna Pier Profile

Tourism Analysis

City Assessment

TIF Analysis

Recommendations

Comments/discussion
Luna Pier Profile
Location

Luna Pier
History

Destination • WWII • Incorporation
Population Trends of Michigan

Michigan

Year


Population

8,200,000 8,400,000 8,600,000 8,800,000 9,000,000 9,200,000 9,400,000 9,600,000 9,800,000 10,000,000 10,200,000

Michigan

Michigan Trend
Population Trends of Luna Pier

Luna Pier

Population: 1,300, 1,350, 1,400, 1,450, 1,500, 1,550, 1,600

- Luna Pier
- Luna Pier Trend
Demographics: Age Distribution

Age Distribution

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage of Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>Luna Pier: 25%</td>
</tr>
<tr>
<td>18 to 24</td>
<td>Luna Pier: 15%</td>
</tr>
<tr>
<td>25 to 44</td>
<td>Luna Pier: 20%</td>
</tr>
<tr>
<td>45 to 64</td>
<td>Luna Pier: 45%</td>
</tr>
<tr>
<td>65 and Over</td>
<td>Luna Pier: 15%</td>
</tr>
</tbody>
</table>

Luna Pier
Monroe Co.
Michigan
Demographics: Median Income

Median Income

<table>
<thead>
<tr>
<th>Year</th>
<th>US Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>50,000</td>
</tr>
<tr>
<td>2005-2009</td>
<td>60,000</td>
</tr>
</tbody>
</table>

- Luna Pier
- Monroe County
- Michigan
Study Area
## Assets and Concerns

<table>
<thead>
<tr>
<th>Helpful</th>
<th>Harmful</th>
</tr>
</thead>
<tbody>
<tr>
<td>helpful for achieving objective</td>
<td>harmful for achieving objective</td>
</tr>
</tbody>
</table>

### Internal Attributes of Organization
- Geography
- Location
- Character
- Projected Population

### External Attributes of Environment
- Tourism
- TIF & Other Grants
- Downtown Development
- Community Image

### Losses and Concerns
- Narrow Tax Base
- Dated Infrastructure
- Limited Retail Options
- Lack of Funding
- Loss of Tax Base
- Loss of Residents
- Outside Competition
- Unable to Attract Businesses
Tourism Analysis
Tourism in Michigan

National Market Share of Tourism

<table>
<thead>
<tr>
<th>Year</th>
<th>Michigan</th>
<th>Southeast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3.05% (7th)</td>
<td>1.15% (N/A)</td>
</tr>
<tr>
<td>2008</td>
<td>3.01% (8th)</td>
<td>1.13% (N/A)</td>
</tr>
<tr>
<td>2007</td>
<td>2.96% (9th)</td>
<td>1.10% (N/A)</td>
</tr>
<tr>
<td>2006</td>
<td>3.15% (8th)</td>
<td>1.17% (N/A)</td>
</tr>
<tr>
<td>2005</td>
<td>2.97% (8th)</td>
<td>1.10% (N/A)</td>
</tr>
</tbody>
</table>

MSU Growth Projections for 2011

- Travel volume: +3%
- Travel spending: +4%
- Travel prices: +3%
Tourism in Michigan

Camping • Festivals • Boating • Waterfront Activities
Case Studies Criteria & Findings

- Beach Town
- Population under 4,000
- Located near a major highway
- Several attractions and events
- Summer population swell
Case Studies

Attractions
• St. Ignace, Michigan

Place Making
• Lake George, New York

Waterfront
• Grand Bend, Ontario

Marketing
• South Haven, Michigan
City Assessment
Block Assessment

- Area within the DDA Boundaries
- Divided into 13 Blocks
- Individually Assessed
# Block Assessment

- **13 Blocks Assessed on:**
  - Walkability
  - Streetscaping
  - Design
  - Parking

<table>
<thead>
<tr>
<th>Block Number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Use</strong></td>
</tr>
<tr>
<td>Land Use</td>
</tr>
<tr>
<td>Vacancies?</td>
</tr>
<tr>
<td><strong>Streetscaping</strong></td>
</tr>
<tr>
<td>Is landscaping present?</td>
</tr>
<tr>
<td>Is lighting present?</td>
</tr>
<tr>
<td>Condition of façade</td>
</tr>
<tr>
<td>Any street furniture present?</td>
</tr>
<tr>
<td>Meet future design criteria?</td>
</tr>
<tr>
<td><strong>Walkability</strong></td>
</tr>
<tr>
<td>Are sidewalks in good condition?</td>
</tr>
<tr>
<td>Any crosswalks present?</td>
</tr>
<tr>
<td>Buffers from the street?</td>
</tr>
<tr>
<td><strong>Parking</strong></td>
</tr>
<tr>
<td>Parking?</td>
</tr>
<tr>
<td>Type of parking</td>
</tr>
</tbody>
</table>
Market Gap Analysis

• ESRI Data Sets
• Assessed market supply & demand
• Examined a 1 & 3 mile radius
## Market Gap Findings

<table>
<thead>
<tr>
<th>Category/NAICS code</th>
<th>Primary Trade Area</th>
<th>Secondary Trade Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing and Clothing Accessories/448</td>
<td>$401,580</td>
<td>$0</td>
</tr>
<tr>
<td>Shoe Stores 4482</td>
<td>$52,017</td>
<td>$0</td>
</tr>
<tr>
<td>Sporting Goods/Hobby/4511</td>
<td>$150,699</td>
<td>$0</td>
</tr>
<tr>
<td>Book, Periodical, and Music/4512</td>
<td>$48,018</td>
<td>$0</td>
</tr>
</tbody>
</table>
TIF Analysis
What is a TIF?

- Mechanism for downtown revitalization
- Form a DDA
- Estimate future property trends
- Capture revenue above baseline
TIF Considerations for Luna Pier

Value of the DDA: $5,154,549
Local millage rate: 23.8091
BASELINE: $122,725 (as of 2011)

- Each year, the DDA must capture more than the baseline to make a profit
- Captured revenue is cycled back into the DDA
Scenario 1: Steady Growth

- Assumes a constant 3% Normal Market Appreciation (NMA) rate

- **Total capture:**
  $1,067,161
  (Over 20 year period)
Scenario 2: New Development

- Assumes a large-scale mixed-use redevelopment downtown, but a more modest NMA rate

- Total capture: $5,552,867 ($3,343,640) (Over 20 year period)
Scenario 3: Depressed Market

- Assumes property values continue falling before climbing back to a 2.5% NMA

- Total capture: $401,079
  (Over 20 year period)
### Borrowing Scenarios

<table>
<thead>
<tr>
<th>Borrowing Period</th>
<th>Scenario 1: 3% NMA rate</th>
<th>Scenario 2: New Development</th>
<th>Scenario 3: Depressed Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>5 years</td>
<td>$50,417</td>
<td>$205,524</td>
<td>$</td>
</tr>
<tr>
<td>10 years</td>
<td>$201,433</td>
<td>$831,698</td>
<td>$26,008</td>
</tr>
<tr>
<td>20 years</td>
<td>$853,729</td>
<td>$2,674,912</td>
<td>$320,863</td>
</tr>
</tbody>
</table>

- Comparison of scenarios
- Rewards of borrowing against future returns
- Risks of predicting the future
Recommendations
TIF Implementation

- Physical Improvements to Blocks
- Park
- Beach
Branding and Marketing

- Districts
- Tourist Activities
- Visitors Guide
- Billboards
Develop Business for a Tourist Market

- Clothing and Sporting Goods Stores
- “First Taste of Michigan”
- Maintain Facilities
Grants

- Community Development Block Grant
  - Infrastructure
  - Façade
  - Signature Building
Questions/Discussion

Thank you!