

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

Consumers Energy

Count on Us

Scope of Services

Assess:

- Physical conditions
- Market conditions
- Potential tourism

Agenda

Luna Pier Profile

Tourism Analysis

City Assessment

TIF Analysis

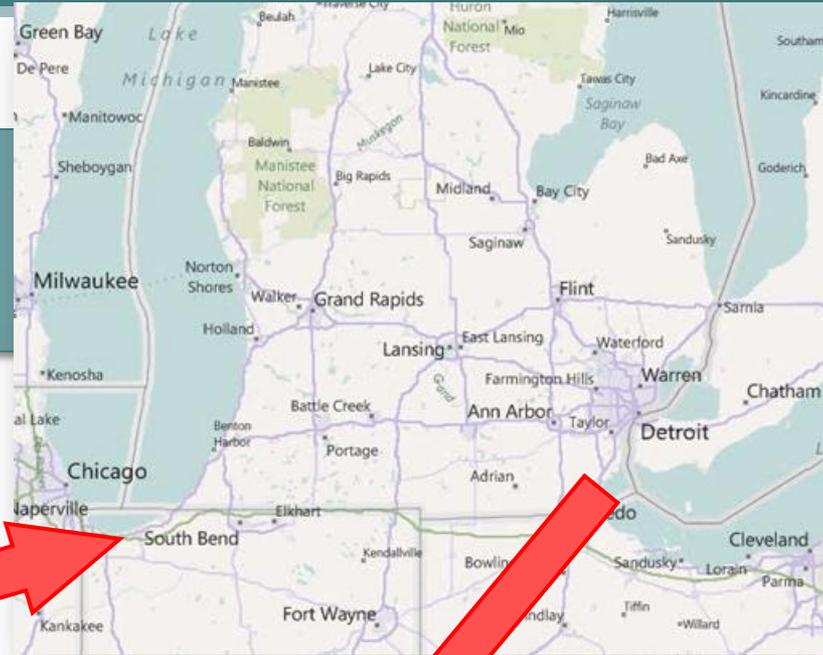
Recommendations

Comments/discussion

Luna Pier Profile

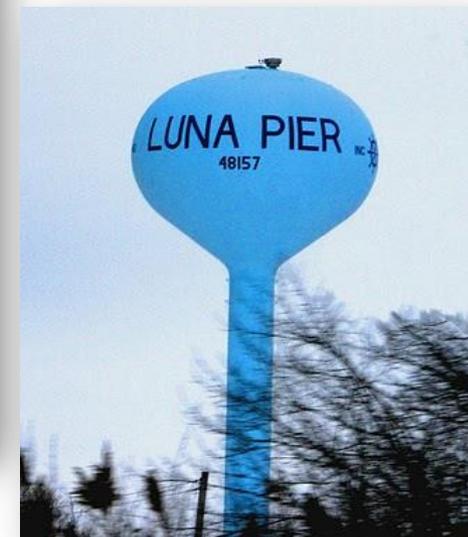


Location



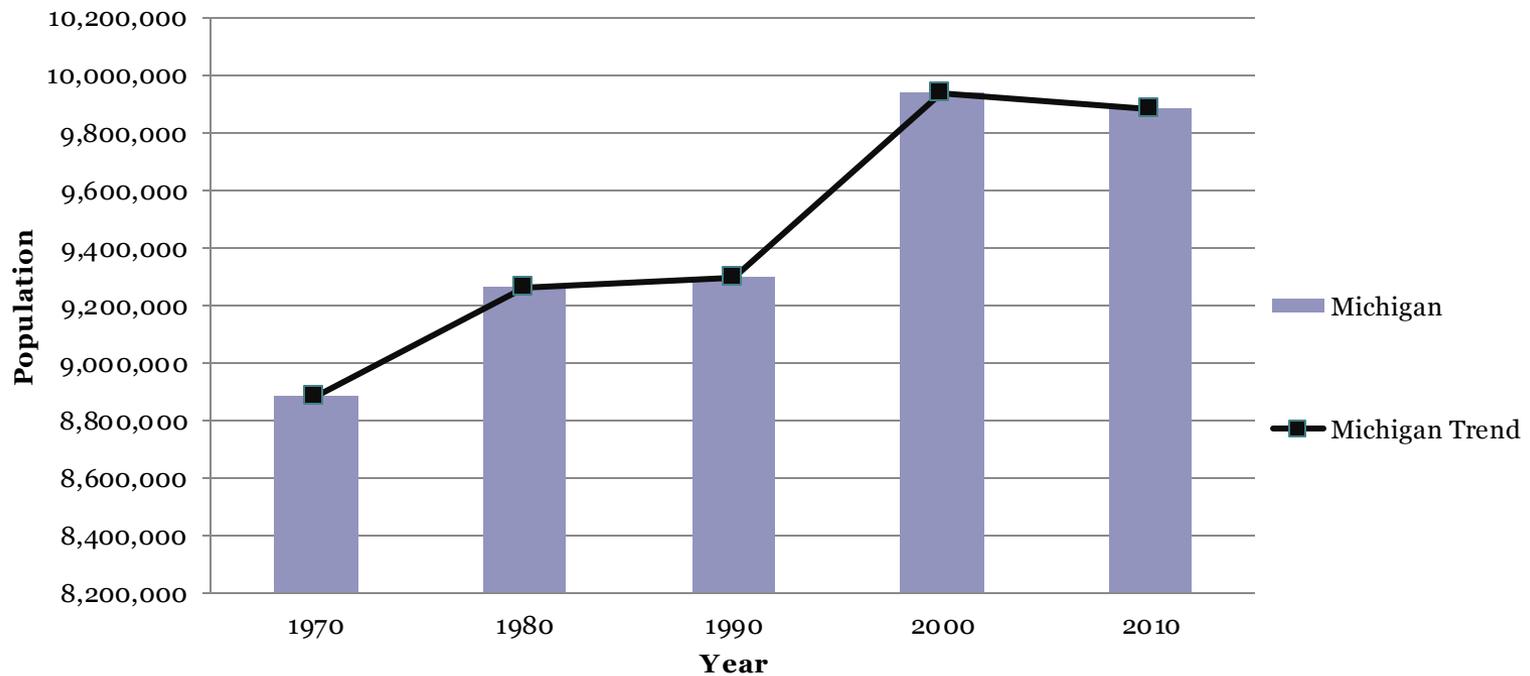
History

Destination • WWII • Incorporation



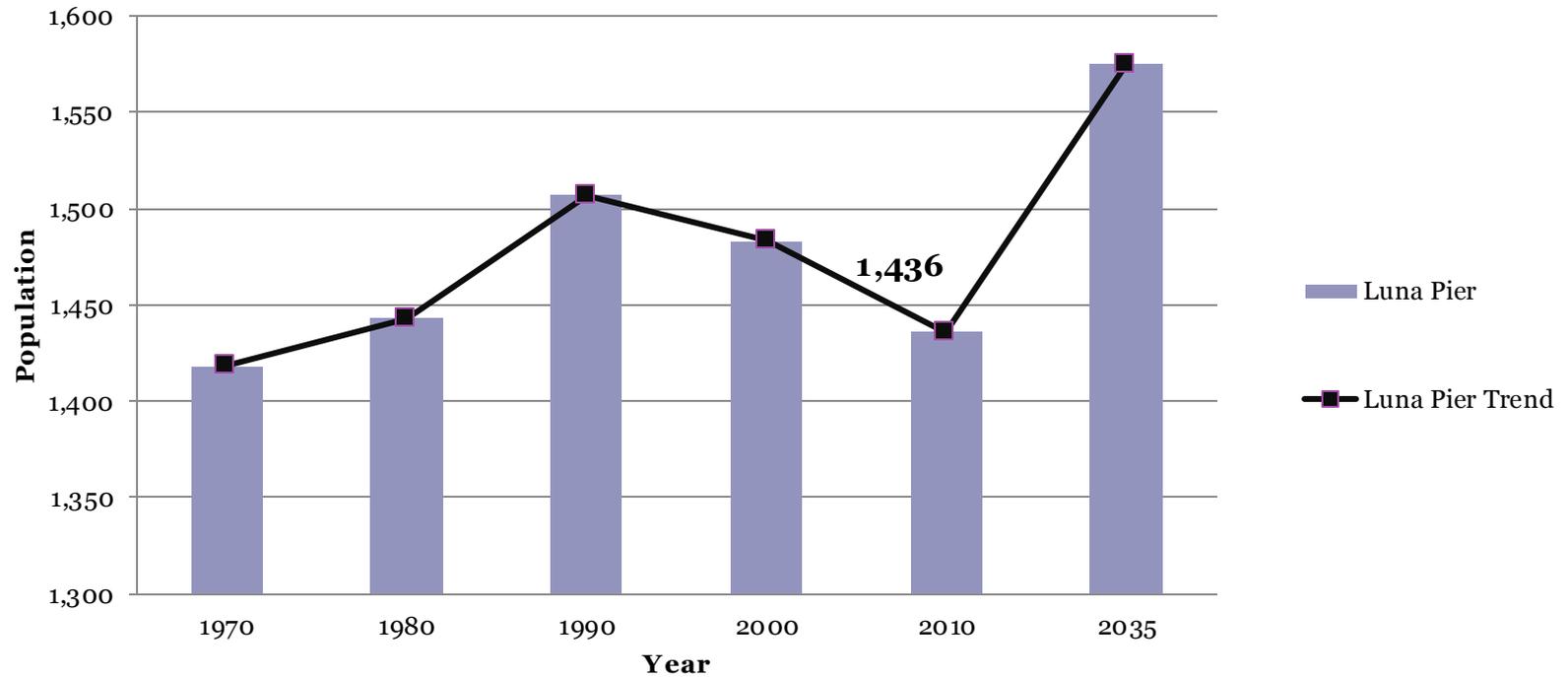
Population Trends of Michigan

Michigan



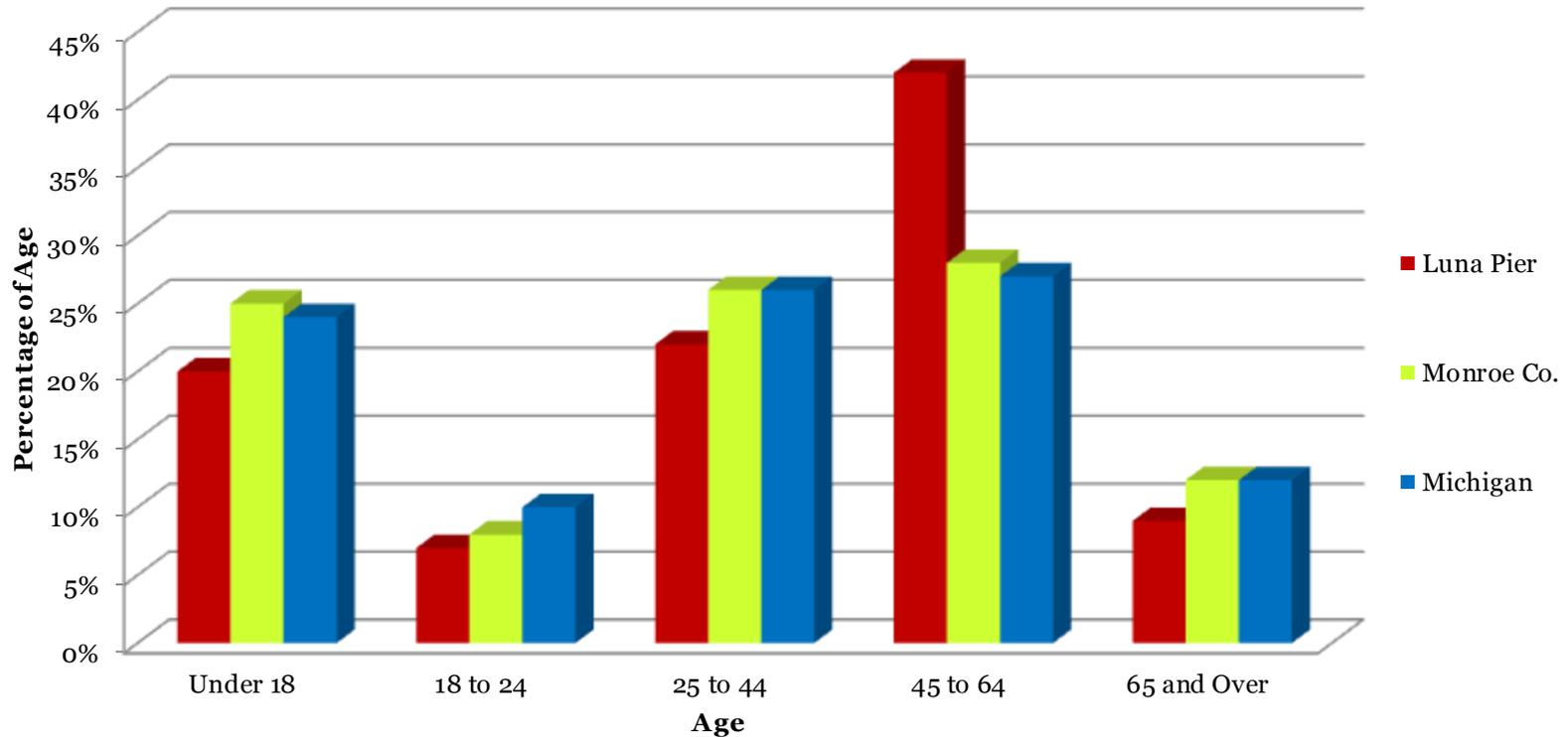
Population Trends of Luna Pier

Luna Pier



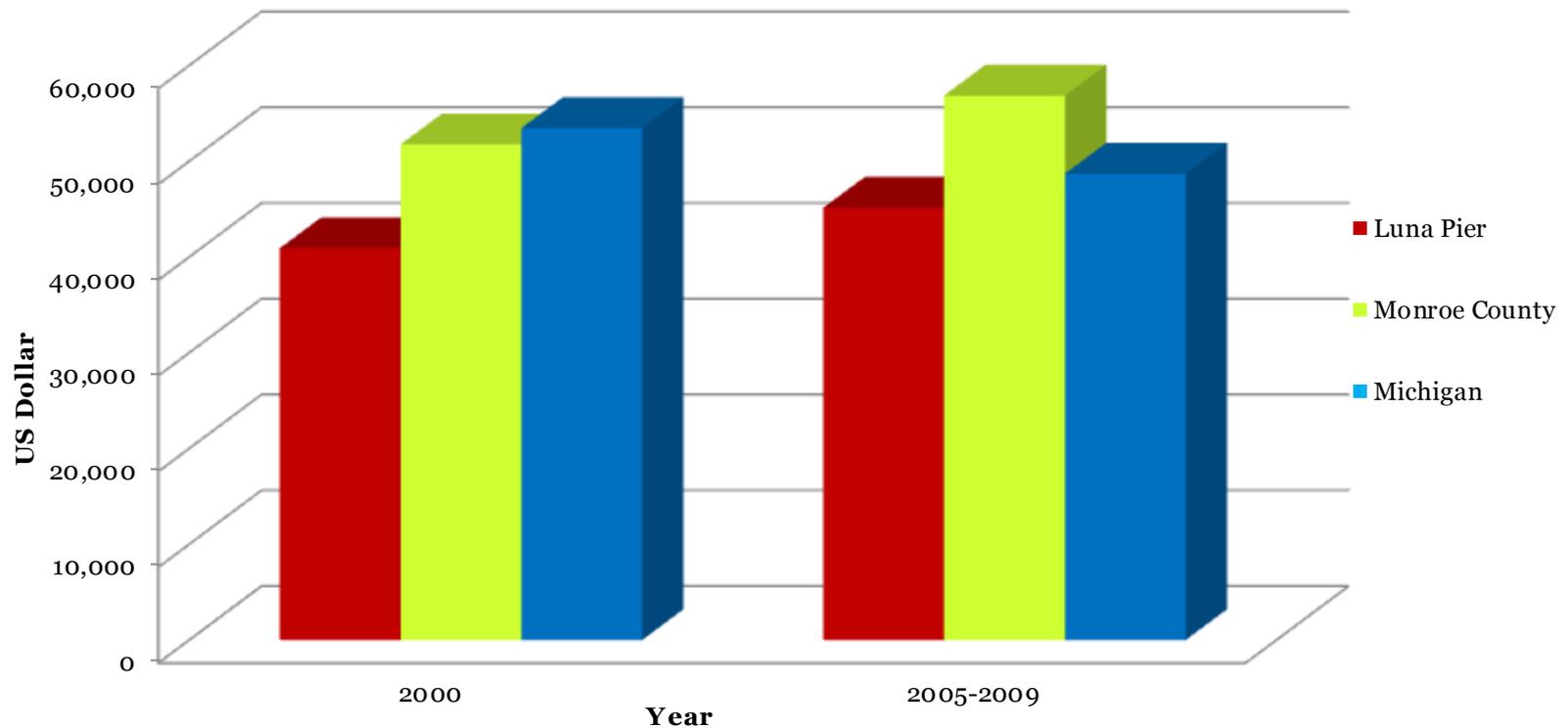
Demographics: Age Distribution

Age Distribution

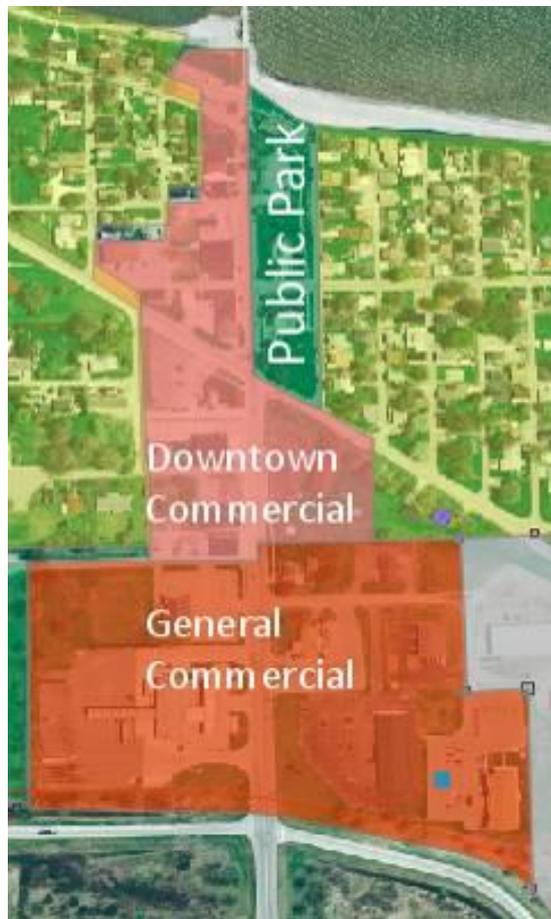


Demographics: Median Income

Median Income



Study Area



Assets and Concerns

	Helpful For achieving objective	Harmful For achieving objective
Internal Attributes of organization	Geography Location Character Projected Population	Narrow Tax Base Dated Infrastructure Limited Retail Options Lack of Funding
External Attributes of environment	Tourism TIF & Other Grants Downtown Development Community Image	Loss of Tax Base Loss of Residents Outside Competition Unable to Attract Businesses

Tourism Analysis

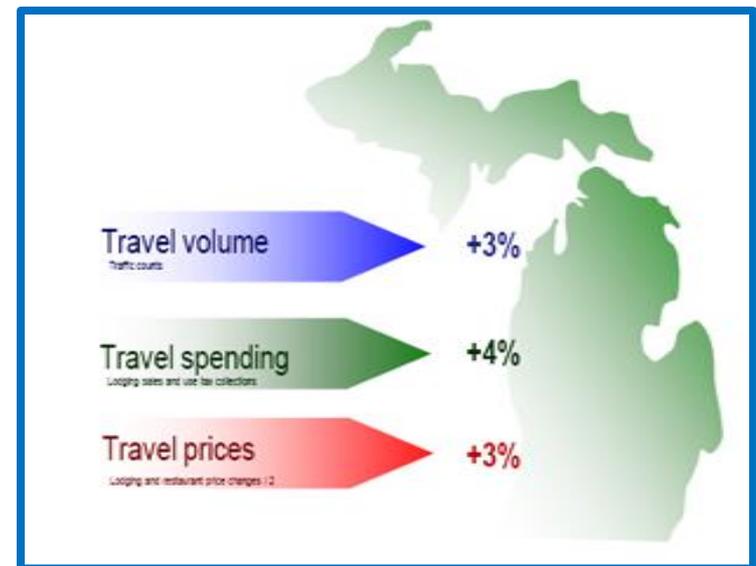


Tourism in Michigan

National Market Share of Tourism

	Michigan	Southeast
2009	3.05% (7 th)	1.15% (N/A)
2008	3.01% (8 th)	1.13% (N/A)
2007	2.96% (9 th)	1.10% (N/A)
2006	3.15% (8 th)	1.17% (N/A)
2005	2.97% (8 th)	1.10% (N/A)

MSU Growth Projections for 2011



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

Block Number	
Land Use	
Land Use	Commercial, Residential or Mixed Use
Vacancies?	Yes/No
Streetscaping	
Is landscaping present?	Yes/No
Is lighting present?	Yes/No
Condition of façade	Good/Poor
Any street furniture present?	Yes/No
Meet future design criteria?	Yes/No
Walkability	
Are sidewalks in good condition?	Yes/No
Any crosswalks present?	Yes/No
Buffers from the street?	Yes/No
Parking	
Parking?	Yes/No
Type of parking	Parking lot, structure, parallel etc.

Block Assessment



Block 2



Block 3

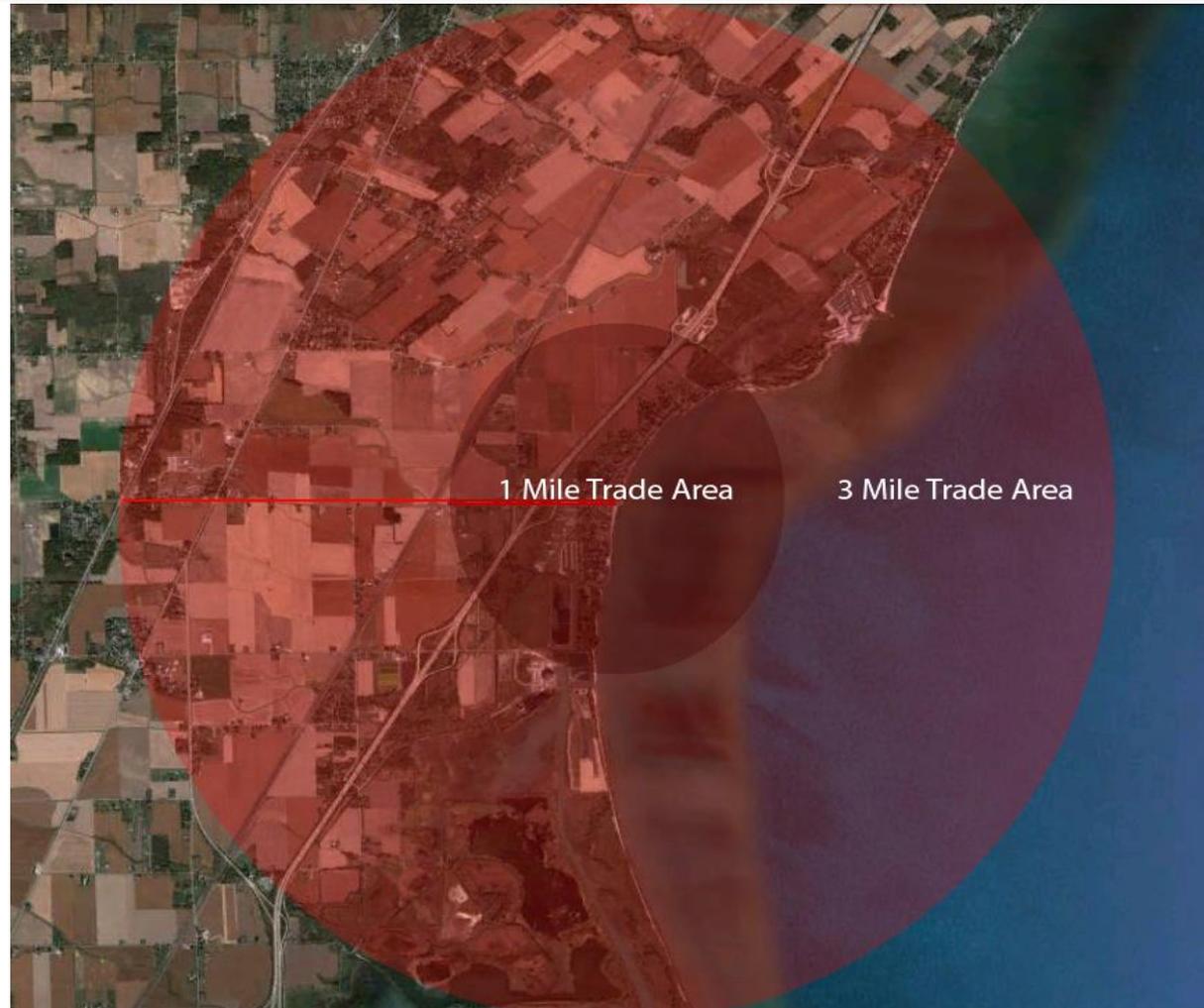


Block 12



Market Gap Analysis

- ESRI Data Sets
- Assessed market supply & demand
- Examined a 1 & 3 mile radius



Market Gap Findings

Potential Market Growth For Luna Pier						
Category/ NAICS code	Primary Trade Area			Secondary Trade Area		
	Est. Potential Sales (Demand)	Est. Actual Sales (Supply)	Market Growth Potential in dollars	Est. Potential Sales (Demand)	Est. Actual Sales (Supply)	Market Growth Potential in dollars
Clothing and Clothing Accessories/448	\$401,580	\$0	\$401,580	\$1,117,034	\$26,840	\$1,090,194
Shoe Stores 4482	\$52,017	\$0	\$52,017	\$141,801	\$0	\$141,801
Sporting Goods, Hobby, Book, and Music Stores/451	\$198,717	\$0	\$198,717	\$548,394	\$59,224	\$489,170
Sporting Goods/Hobby/4511	\$150,699	\$0	\$150,699	\$416,830	\$59,224	\$357,606
Book, Periodical, and Music/4512	\$48,018	\$0	\$48,018	\$131,564	\$0	\$131,564

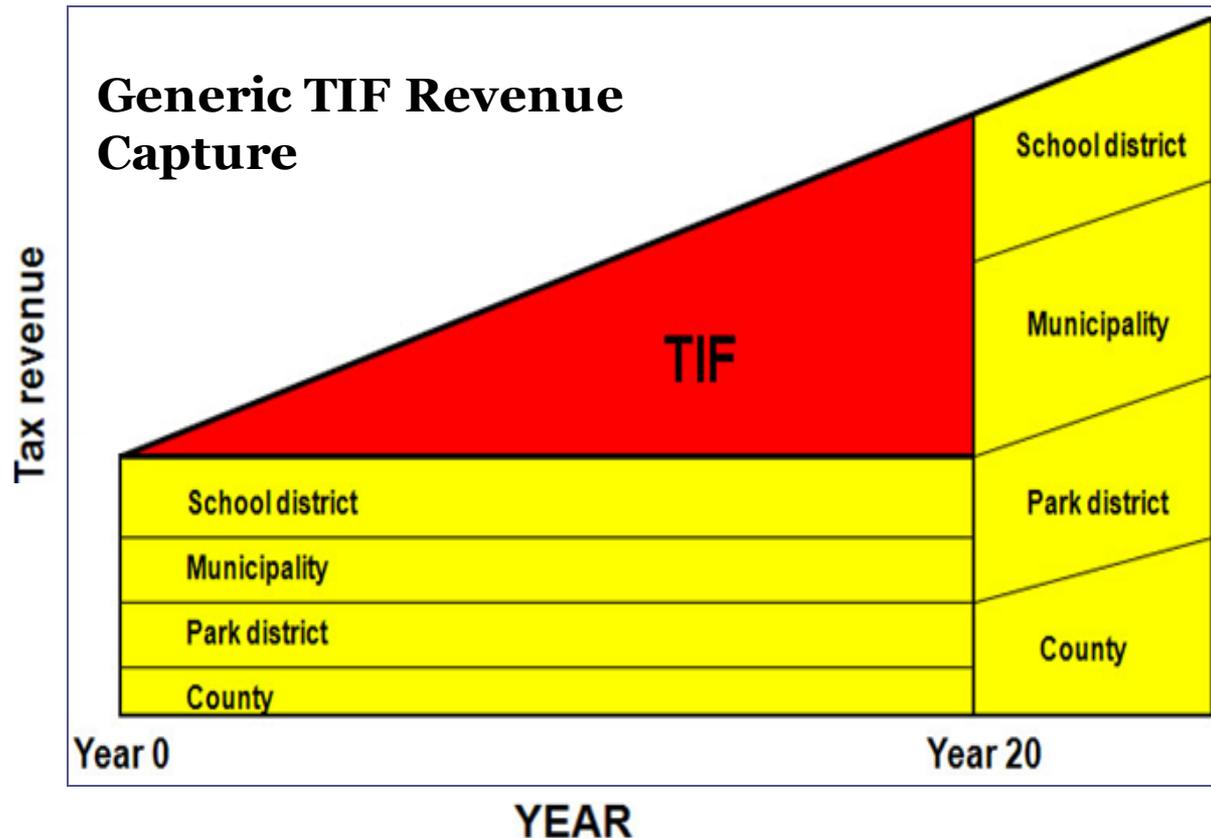


TIF Analysis



What is a TIF?

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



TIF Considerations for Luna Pier

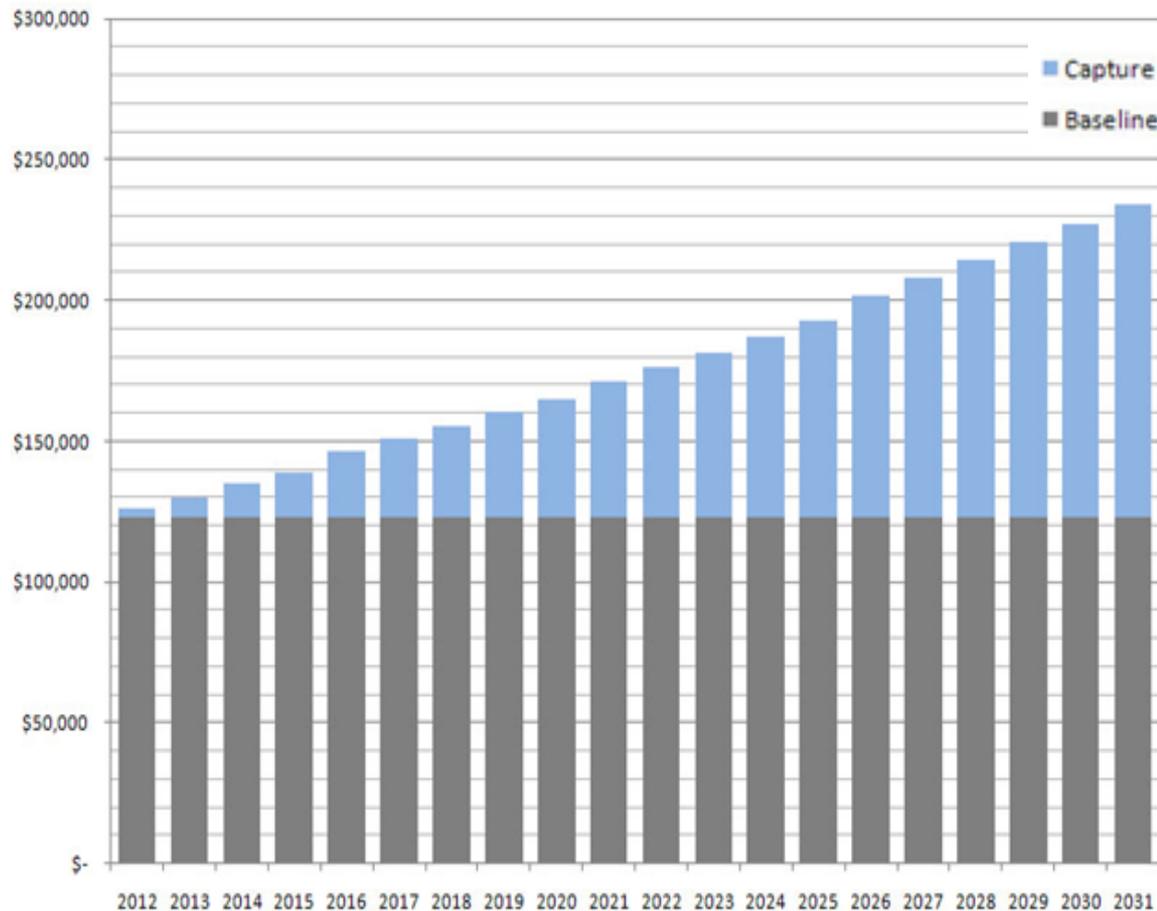
Value of the DDA:	\$5,154,549
Local millage rate:	23.8091
BASELINE:	\$122,725
<i>(as of 2011)</i>	

- 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 1 - Estimated Revenue Capture

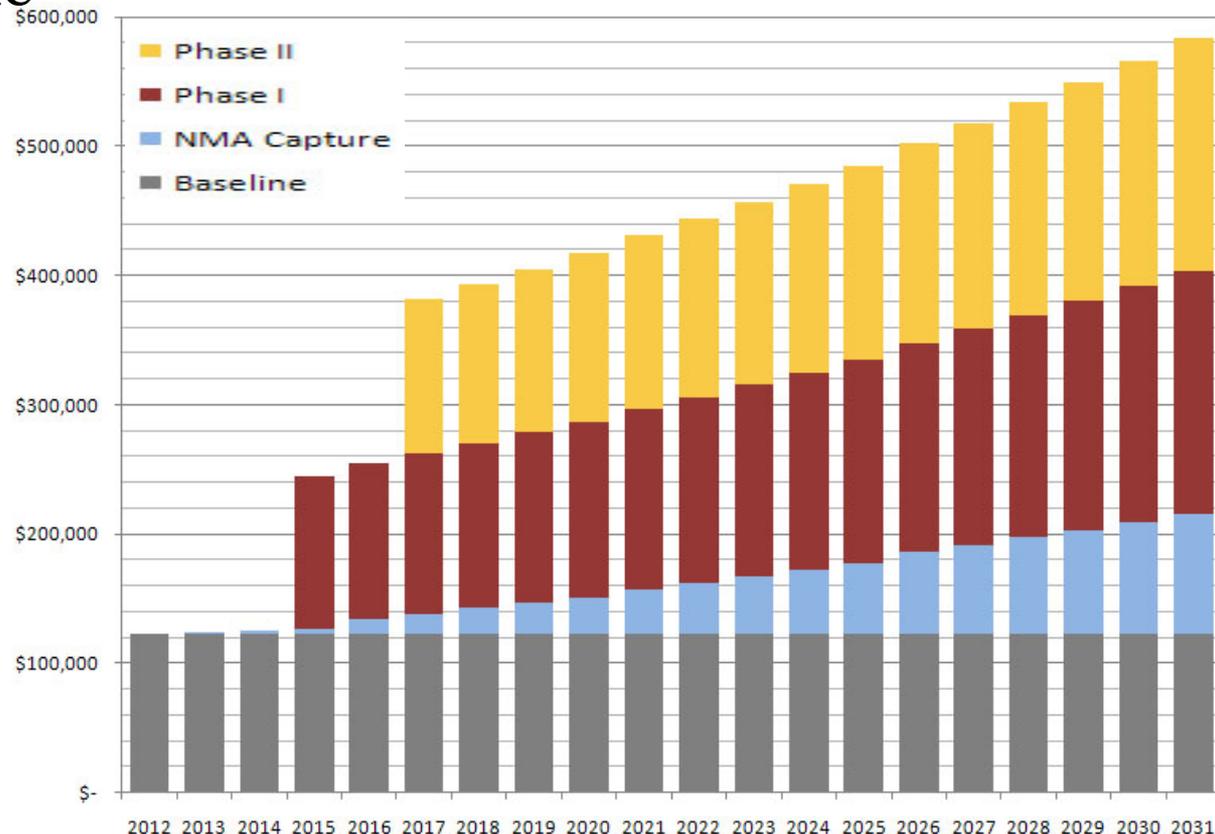


Scenario 2: New Development

- 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)

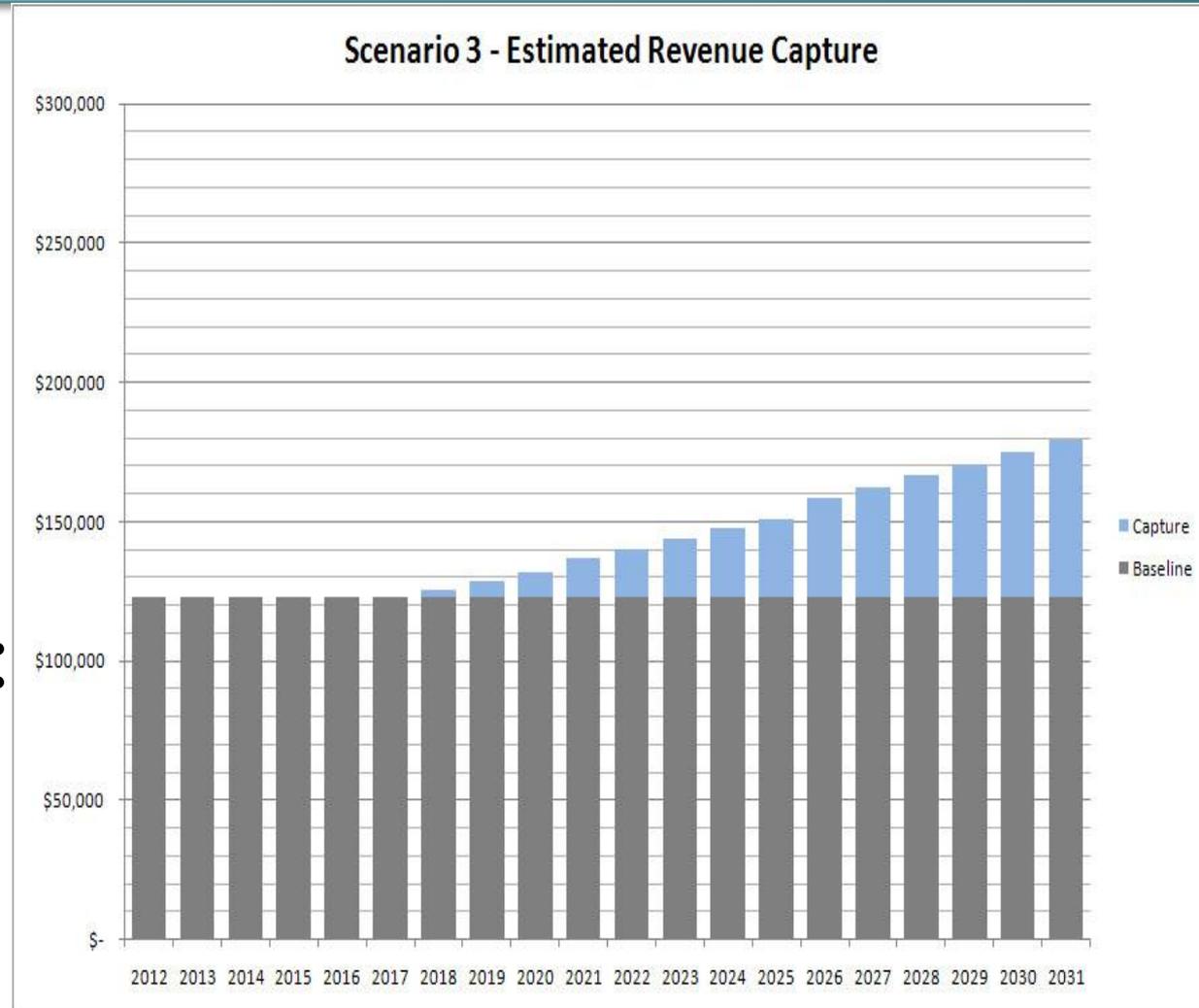
Scenario 2 - Estimated Revenue Capture



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)

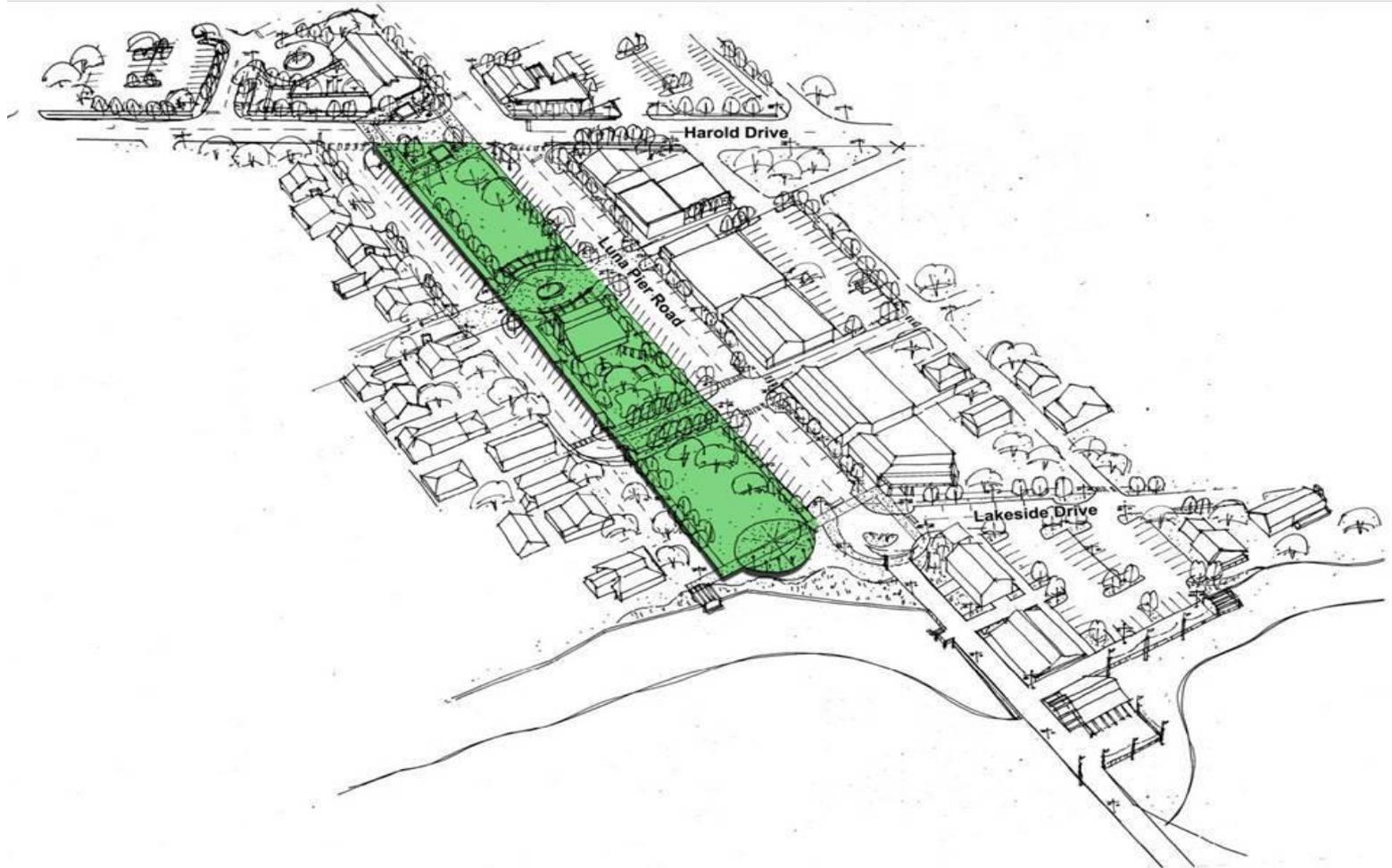


Borrowing Scenarios

Borrowing Period	Scenario 1: 3% NMA rate	Scenario 2: New Development		Scenario 3: Depressed Market
		Phase I	Phase II	
5 years	\$ 50,417	\$ 205,524	Phase II	\$ -
10 years	\$ 201,433	\$ 831,698	\$ 1,336,205	\$ 26,008
20 years	\$ 853,729	\$ 2,674,912	\$ 4,442,294	\$ 320,863

- 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!

