

Financing downtown development projects

by Jim Collison and Randy Frykberg, PhD

Before you begin your next downtown project, remember that a project financing strategy is as important as developing a vision for your downtown.

Downtown Development Authorities

A Downtown Development Authority (DDA) remains a viable process, especially in areas where county boards, community colleges and other special purpose authorities have agreed to partner with the local community development efforts.

Many DDAs have been created and may have the potential of being reactivated. An updated development plan and a new Tax Increment Financing Plan would likely be required if the DDA has been inactive for a long time.

DDAs present at least three options beyond the capture of tax increment based on new investment:

- All or some portion of a two-mill levy could be placed on all real and personal property within the defined DDA district.
- A special assessment district could be developed to assist in streetscape projects, as well as to establish adequate parking to serve the downtown development area.
- A revolving loan fund can be created, with bank participation under the Community Reinvestment Act, to provide financial resources for a property owner to update properties and possibly establish or participate in a common facade theme if required in the DDA plan.

Grant agencies encourage DDA or Local Development Finance Authority (LDFA) involvement in funding local shares of grant programs.

Michigan Department of Transportation

A major resource for upgrading infrastructure in core cities and downtown areas is the Michigan Department of Transportation (MDOT).

Having a total development plan in place prior to construction or reconstruction of a business loop through a downtown area could trigger eligibility for an Enhancement Grant for sidewalks and/or decorative walks, tree plantings or other developments, in addition to the road work.

If jobs will be created, MDOT Economic Development Category A Funds may partially assist in financing your improvements.

Category D Funds, administered by the Rural Task Force for smaller communities, are also a potential funding source for surface transportation improvements in the community.

MDOT's Category F Economic Development Funds also provide assistance to smaller communities when job creation and economic development are part of the overall development activity.

Community Development Block Grants

Another major player in project or program funding is the Community Development Block Grant (CDBG) Program administered by the Michigan Economic Development Corporation (MEDC). The CDBG program has assisted many communities throughout Michigan:

- The Core Communities Initiative targets distressed communities for possible assistance.
- The Tourism Destination Program triggered the Mackinaw Crossings Project in the Village of Mackinaw City.
- Funds from the Clean Michigan Initiative Waterfront Development Program and the DDA itself are a major part of the River Place development currently under construction in the City of Frankenmuth. This development is anticipated to be operational by June or July of this year.

Michigan Department of Natural Resources and Michigan Department of Environmental Quality

The Michigan Departments of Natural Resources (MDNR) and Environmental Quality (MDEQ) are also financial resources for downtown development projects.

If wastewater collection and treatment upgrades are needed, consider the State Revolving Fund (SRF). This loan program is currently (late April) at two-and-a-half percent interest with a set-aside for small communities.

The Drinking Water Revolving Loan Fund (DWRF) is also available for small communities with a set-aside to repair and/or update deficient water systems. This basic infrastructure is a must if you are serious about creating community viability for the longterm.

It may be possible to incorporate some recreational development with grant assistance from the MDNR in park or outdoor recreation development, particularly if there is waterfront in your developing area.

Walking or alternate transportation paths/access routes could be funded by DOT's Enhancement Grant Program and/or the DNR's Outdoor Recreation Program. An adopted five-year community recreation plan is a prerequisite to applying for any DNR recreation grant assistance.

Other resources

A couple of other outside resources that may offer assistance include the Main Street Program as well as Historic District tax credits (*see May 2001 MMR*).

A community should look at foundations as a possible source for either planning and/or development costs that may be integrated into project development.

In certain circumstances, a brownfield redevelopment authority may be a needed partner.

Likewise, chambers of commerce and downtown development organizations may supply some up-front costs to begin the process.

A community that wants to be successful needs to look under every possible stone for assistance. Most recently, Renaissance Zone designation in a few Michigan communities has opened the door for residential and additional commercial development in downtown areas. While this tool is used mainly by larger communities, it is also available for smaller communities.

First rule in receiving funding — ASK

The most difficult piece of project financing is the up-front, essential funds needed to explore options for vision development, plan preparation, community consensus and grant applications. Obviously, there are many funding options for your downtown development team

to consider. Keep in mind that very few communities receive grants that they have not requested. Learning about programs appropriate to your project and filing the applications are critical. ♦

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