

DIVERSIFYING THE TAX BASE of LUNA PIER, MICHIGAN



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INTRODUCTION



Luna Pier is a small city on the shore of Lake Erie, located off I-75 only six miles north of the Ohio-Michigan border in Monroe County.

The city's population was 1,436 in 2010. The city slightly decreased in size (-3.2%) over the decade.

Luna Pier is concerned about its narrow tax base, and has been proactively seeking to brand itself as a tourist town and attract new businesses. This poster summarizes the teams' assessments and recommendations.



Luna Pier incorporated as a city in 1963. Prior to that, it had been a part of Erie Township. During the 1920's and 1930's, the area was a popular entertainment destination for residents of nearby Detroit and Toledo. Eventually, a pier was constructed containing an open air dance pavilion and band shell. Once World War II began, the area declined, and in 1954, the pavilion caught fire and was destroyed. The Consumers J.R. Whiting coal fired plant was opened in 1952 and contributes roughly \$3 million in taxes to Luna Pier annually.

TOURISM ANALYSIS

Target Audience	Visitor Position	Daily Spending (Dollars)	Top Activities
Average Age: 43	Purpose of Stay: Visit relations	Transportation: \$28	Dining: 20%
Dominant Age Group: 18-34	Average Party Size: 2.23	Food: \$18	Shopping: 18%
Average Household Income: \$84,347	Average Stay Length: 1.11	Shopping: \$14	Entertainment: 15%
Have Children in Household: 52%	Average Spending per Day: \$80	Entertainment: \$11	Sightseeing: 12%
Dominant Life Stage: Young Family	Accommodation: Private Home	Accommodations & Misc: \$10	Festival, Craft Fair: 5%

Statistics on tourism in Southeast Michigan can provide relevant knowledge to Luna Pier for determining whom to target and the types of amenities and activities tourists enjoy. In 2009, Southeast Michigan hosted the largest number of visitors within the state. Tourists in Southeast Michigan are most typically 18-34 year olds who earn an average salary of \$84,347. They generally stay for more than one day to visit family and friends and spend their money on transportation, food, and shopping.

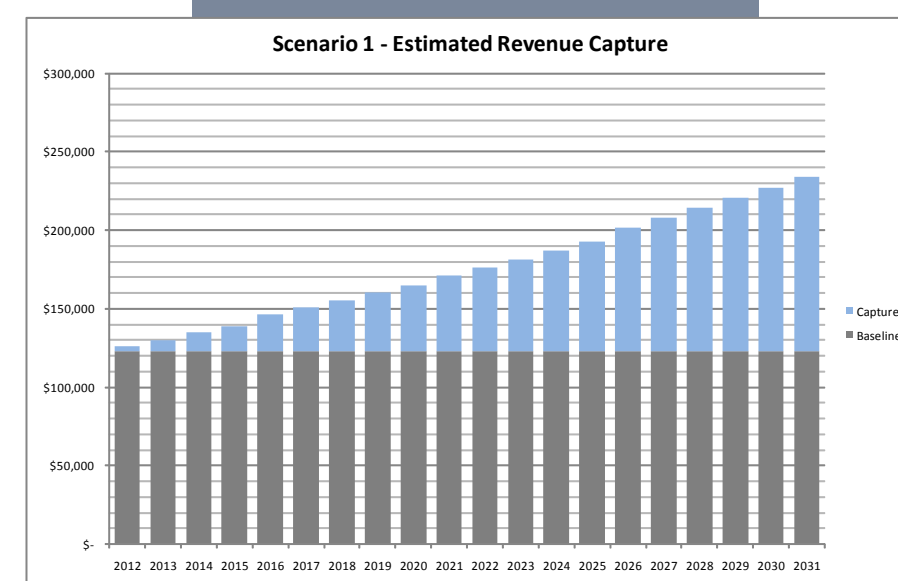
MARKET GAP ANALYSIS

To assist in increasing the tax base of Luna Pier, businesses with market potential growth were identified. Market growth potential is determined by subtracting actual from potential sales. The table to the right shows businesses in demand by local residents within a primary (1 mile radius) and secondary (2 mile radius) trade area, that are relevant to a tourist economy. Clothing, sporting goods, and books and music have the largest growth potential.

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

TAX INCREMENT FINANCING

To quickly implement new infrastructure and incentives, Luna Pier is considering a TIF plan. The city would begin projects now by borrowing against future property tax revenues. We give three scenarios for 20-year trends that will affect the city's potential.

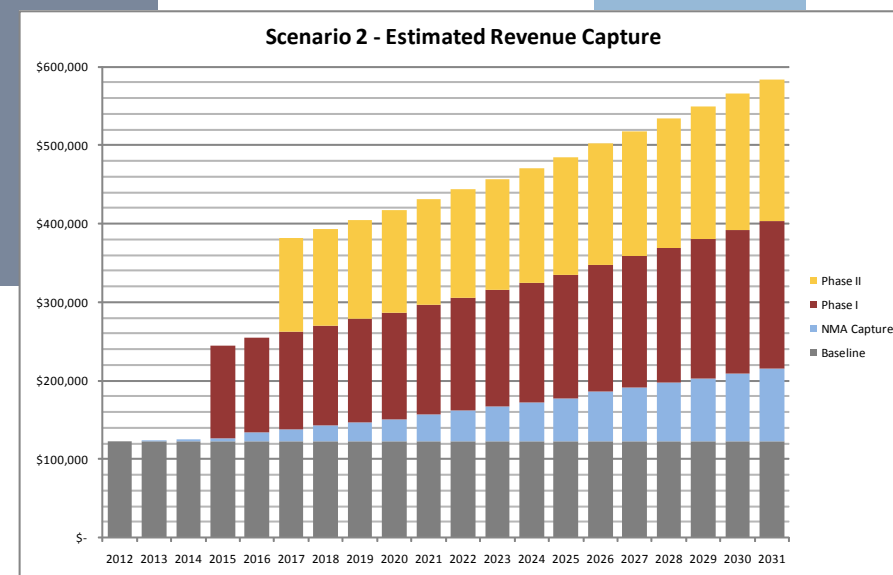


SCENARIO 1: STEADY GROWTH

In this projection, property values increase by a consistent 3% each year. The city would capture **\$1,067,061** over 20 years.

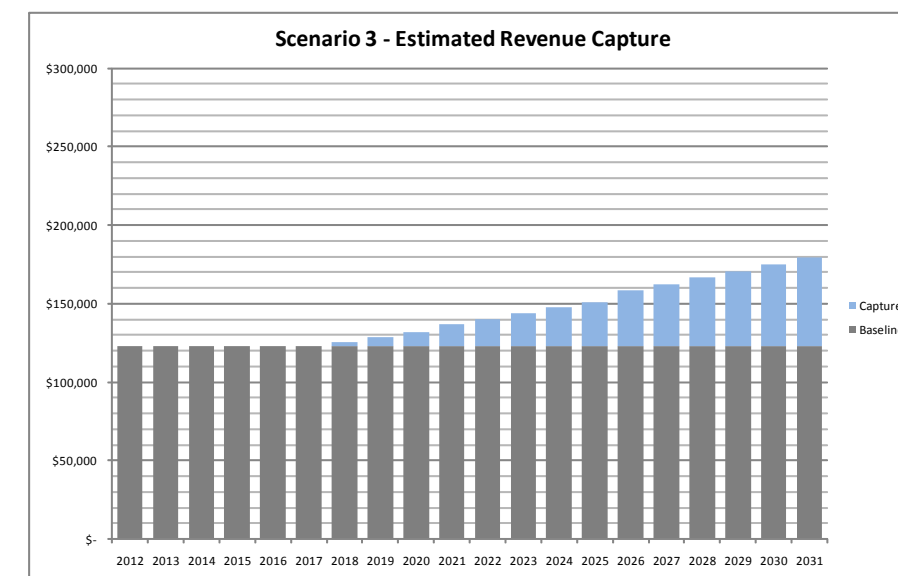
SCENARIO 2: NEW DEVELOPMENT

A large redevelopment project downtown is built in two phases, each worth \$5.1 million. If both are completed, the TIF would earn a total of **\$5,552,867**.



SCENARIO 3: DEPRESSED MARKETS

In this scenario, property values continue to fall until mid-decade due to the real estate crisis. The TIF makes only **\$401,079** total, and no money at all for the first six years.



BLOCK ASSESSMENT



To measure the quality of the physical infrastructure of Luna Pier, a block assessment was conducted. The city was split into 13 blocks (delineated in the map below), each of which was graded on the criteria presented in the table. The criteria were chosen based on the city's proposed design guidelines.

Blocks 2, 3, and 12 -- the blocks along the main corridor of Luna Pier Road -- were identified as needing the most improvement. Revenue could from the TIF could be used for sidewalks, streetscaping, facades, and aesthetic improvements to attract development.

Block Number	
Land Use	Commercial, Residential or Mixed Use
Vacancies?	Yes/No
Streetscaping	
Is landscaping present?	Yes/No
Is lighting present?	Yes/No
Condition of facade	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.



CASE STUDIES

ST. IGNACE, MI

Located in at the northern end of the Mackinac Bridge, St. Ignace has a population of 2,452. Like Luna Pier, the city created a Downtown Development Authority, which has implemented a TIF to fund a waterfront revitalization.

SOUTH HAVEN, MI

South Haven, pop. 4,403, is located on the eastern shore of Lake Michigan. Its well-prepared visitor's guide and marketing campaign should be emulated by Luna Pier.

In making recommendations for Luna Pier, it is essential to examine other successful beach towns for direction. These four communities were chosen based on their similarities to Luna Pier.

GRAND BEND, ON

This Canadian city's year-round population of roughly 2,000 can swell to nearly 50,000 people at the height of summer. It redeveloped its beachfront to include a large stretch of open space to host festivals and events.

LAKE GEORGE, NY

A town of 3,578 located on Lake George in Upstate New York. Its *Route 9 Gateway Plan* lays out criteria for transforming the town's roads into "complete streets," with sidewalks, landscaping, signage, and aesthetic improvements.

RECOMMENDATIONS



Recommendations were based on the body of findings. Upgrades to Blocks 2, 3, and 12 (north side of Luna Pier Road) were found to be critical and should be financed with TIF. Improvements:

- Walkability - sidewalks, street furniture, and buffering
- Aesthetics - conform to future design guidelines, including nautical theming
- Facade work, lighting, signage, and wayfinding

- The park, in Block 13, should include an interactive fountain, as mentioned in the city's master plan. Additionally in Block 13, the beachfront needs to be improved to include lights, benches, and an aesthetically pleasing boardwalk. Plan festivals and year-round attractions for the area.

- Vacant commercial properties should be filled (using incentive if necessary) with clothing, shoe, sporting goods, book, music, and other hobby stores.

- Luna Pier must begin to brand and market itself. The "First Taste of Michigan" slogan should be marketed towards tourist through fliers, posters, billboards, and seasonal brochures throughout Michigan and the Midwest. City input suggested a concept store that sells Michigan foods and products.

- Lastly, Luna Pier should seek grants as an alternative source of finance for the completion of the aforementioned recommendations.