



April 3, 2012

Dear Ypsilanti Friends and Neighbors:

Over the years, residents, business owners, neighborhood associations, and volunteer groups have made the city of Ypsilanti more attractive to run a business, raise a family, and enjoy neighbors and friends. We should all be proud of our progress and expect more great things to come.

However, the collapse in property values and tax revenues coupled with state spending cuts for cities have decimated Ypsilanti's long-term structural budget. The bottom line is this: we have reached the point where the city will be forced to cut police, fire, and support services that we all depend upon unless the city develops a significant new source of revenue.

Recognizing this unprecedented financial challenge, Ypsilanti City Council has wisely approved a bold five-year budget plan that calls for maintaining police, fire, and support services by replacing lost property tax revenue with a city income tax and a Water Street debt millage. A unanimous City Council vote placed these two proposals on the May 8 ballot. The unanimity of the vote underscores the importance of approving these proposals. They will provide a stable economic base to continue attracting businesses and families to Ypsilanti.

This state-of-the-city message will focus on Ypsilanti City Council's five-year budget plan, the county recreation center proposal for the Water Street property, business development and community service accomplishments over the past year, and the retirement of longtime city manager Ed Koryzno.

A Bold Five-Year Plan

In February of this year, Ypsilanti city council passed a bold **five-year budget plan**. The plan calls for preserving police, fire, and support services by replacing lost property tax revenue with a **city income tax and a Water Street debt millage**. Both proposals will be placed on the May 8 ballot for voter approval. The proposed city income tax is 1 percent for working Ypsilanti residents and ½ percent for nonresidents who work in the city. According to the independent **City Income Tax Feasibility Analysis** commissioned by City Council, the city income tax would raise \$1.3 million from city residents and \$1.5 million from

nonresidents who work at **Eastern Michigan University** and other businesses in the city. Virtually every city income tax dollar paid by a city resident will be matched dollar-for-dollar by non-resident workers who also rely on city police, fire, and other services. Since the general fund property tax rate is already at the state constitutional maximum of 20 mills, a city income tax is the only other significant revenue source available to the city.

The Water Street debt millage ballot proposal language estimates an average 5.4 mill property tax increase, but the five-year plan pays half of the debt millage with general fund reserves. So an Ypsilanti city resident would pay approximately 2.5 to 3.5 mills more property tax. City residents can calculate their **estimated city income tax and property tax increase** on the **city of Ypsilanti website**.

The five-year plan is a comprehensive response to falling property tax revenues and Water Street debt payments. General fund property tax revenue is projected to fall 30 percent, from \$7.2 million in 2010 to \$5 million in 2017; the state is projected to reduce revenue sharing from a high of \$4 million in 2002 to \$1.3 million in 2017. In addition, Water Street bond payments are now approximately \$1.3 million per year. The expenditure cuts of the last decade can't continue without drastic reductions in police, fire, and support services. Over the last ten years total city staff has been reduced by a third, from 139 employees in 2002 to 93 today. Many employees are already performing multiple functions. For example, the assistant city manager also serves as the department head for planning, building, and human resources.

Cuts in federal spending have been passed down to the state. Cuts in state spending have been passed down to Michigan cities. Declining property values have reduced property tax revenues. Many cities will struggle year after year to balance their budget. But Ypsilanti voters can take control of their destiny by approving the five-year plan on May 8 and voting yes on both proposals. The combination of the city income tax and Water Street debt millage can replace falling property tax revenues and preserve public safety and support services (see graphs beginning on page 5). With a solid five-year plan in place, Ypsilanti can provide fiscal stability to grow and thrive.

Water Street Recreation Center

For decades the **Water Street property** was home to manufacturing and businesses that brought tax revenue to the city. As manufacturing left Ypsilanti, buildings were left abandoned and blighted. Over ten years ago the city acquired the Water Street property for redevelopment to enhance downtown. Unfortunately, negotiations with two developers did not come to fruition and banks tightened lending during the economic downturn. Now the bond debt for

the land purchase is due with no compensating property tax revenue. State law requires the debt to be paid; **default is not an option.**

But the city hasn't given up. Over the last few years, the city has spent \$1.2 million in state and federal grants to demolish dilapidated buildings and remediate contaminated soil. In January, the city **signed a letter of intent** to build a county recreation center on the northwest corner of the Water Street property. The **Washtenaw County Parks and Recreation Commission** will own and run the center. The center will offer affordable recreation to the east side of Washtenaw County. It will be similar to the **Meri Lou Murray Recreation Center** located in **Washtenaw County Farm Park** in Ann Arbor.

Although the county recreation center will be tax exempt, the center will provide tangible benefits to the city of Ypsilanti and foster development of the Water Street property. The recreation center promises to be a stable development that will attract other taxpaying commercial and residential development. Unlike private business ventures that may or may not survive, the county recreation center will be a successful and stable anchor for the Water Street property.

Business Development and Community Service

Many exciting development projects are happening downtown:

- the **Red Rock Downtown Barbeque** opened this spring after painstaking renovation work,
- **Model Cave** opened on Michigan Avenue and attracts model enthusiasts from all around the greater Detroit metropolitan area,
- the **Crossroads Summer Music Festival** provided another summer of free Friday night family entertainment and plans to continue this summer,
- **Mix Market** successfully opened in the former J. Neal's Mongolian Barbeque space featuring many local vendors,
- **Michigan Ladder** expanded manufacturing operations in Ypsilanti, and
- the **Mellencamp Building** on Michigan Avenue is being beautifully restored into retail space and loft apartments by **Eric and Karen Maurer**

In Depot Town and on the east side:

- the **East and West Cross streetscape redevelopment** was completed with stamped crosswalks, bike paths, rain gardens, and LED streetlights,
- **Woodruff's** hosted the fourth annual **Mittenfest** fund-raiser for **826michigan**, a nonprofit organization that supports the creative writing skills of students age six to eighteen,
- the **Made in Michigan General Store** opened next to **Café Ollie**,
- the **Ypsilanti Downtown Development Authority** storefront façade grant program provided \$40,000 in matching grants that spurred \$125,000 in storefront improvements,

- the reorganized **Elvisfest** was successfully held again in **Riverside Park**,
- the **Thompson Block** scaffolding was removed and a coat of paint spruced up the exterior,
- Riverside Park hosted the **Brewers' Guild Beer Summer Festival** in July and is scheduled to host it again this year,
- the **2011 Ypsilanti Heritage Festival** provided another successful summer weekend of family fun, and
- the **Wurst Bar** opened in the former **Theo's Bar** on West Cross Street.

On the west side:

- the **Friends of Rutherford Pool** raised over \$625,000, including a \$300,000 grant from the **Michigan Natural Resources Trust Fund**, to rebuild **Rutherford Pool**,
- the **Washtenaw County Parks and Recreation Commission** supported the Rutherford Pool with a \$50,000 grant, and
- Washtenaw County received a \$3 million **HUD Community Challenge Planning Grant** to improve housing and transportation along the **Washtenaw Avenue corridor** between Ypsilanti and Ann Arbor (only \$7.1 million was allocated for all of Michigan).

South of Michigan Avenue:

- **Hamilton Crossing** (formerly **Parkview Apartments**) has total financing of over \$16 million, continues construction, and is now **leasing apartments**, and
- **Hope Clinic** opened a 20,000-square-foot addition last May to better serve the health needs of low-income residents and families without health insurance.

City Manager Ed Koryzno Retires

Longtime Ypsilanti city manager **Ed Korzyno** retired in January. He guided the city and City Council for fifteen and a half years, which is an extremely long tenure for a city manager. Mr. Koryzno has joined the **Michigan State Treasurer's Office**, which will be utilizing his budget and planning expertise on behalf of Michigan cities facing financial trouble. Speaking for myself and everyone else on City Council, I thank Ed Korzyno for his professional leadership, his advice, and his deep commitment to the Ypsilanti community. Ypsilanti will miss him, but he will now be making our state stronger.

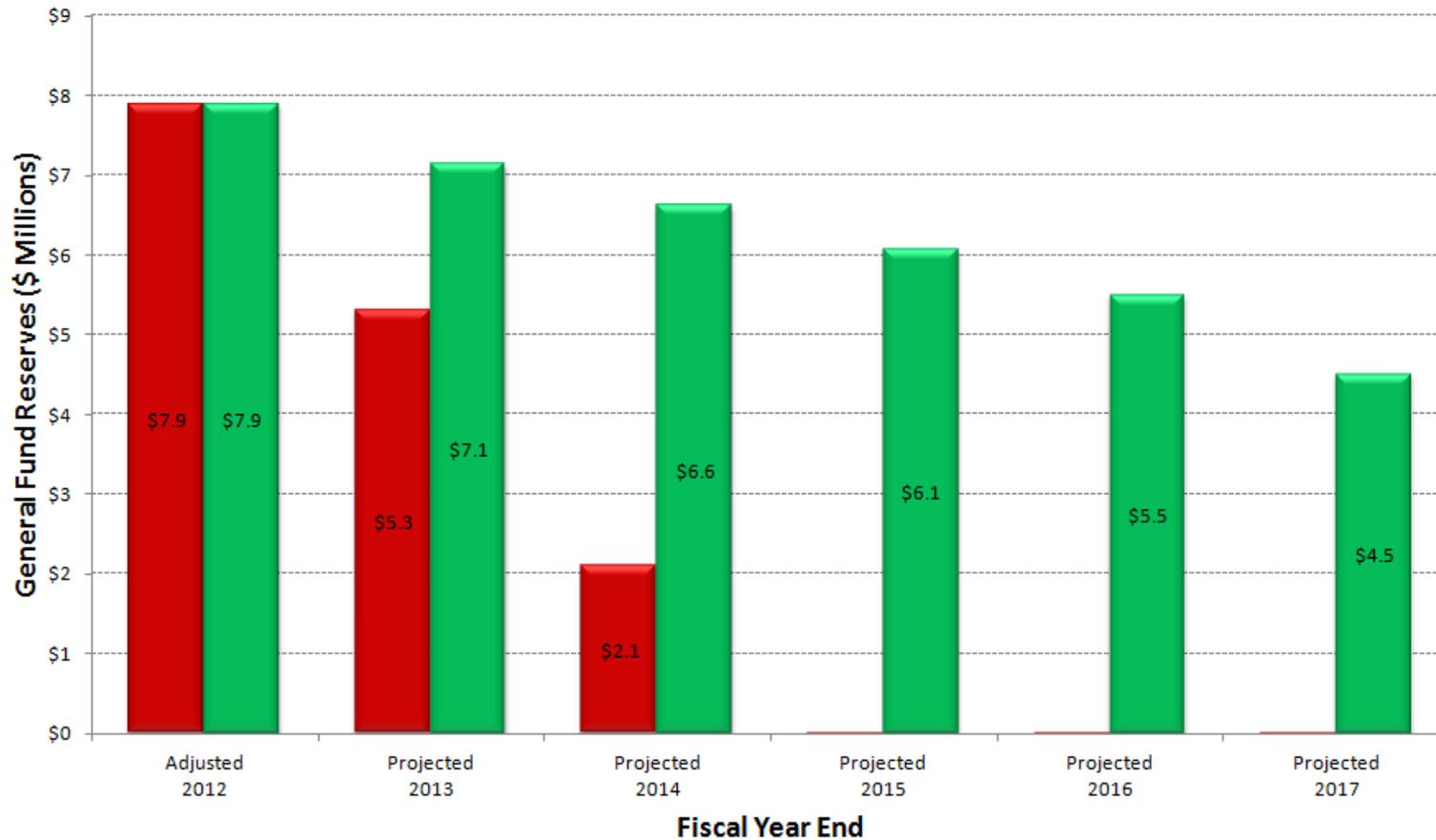
Best regards,
 Paul Schreiber
 Mayor, City of Ypsilanti
 734-277-5446

Stabilizing Reserves with the Five-Year Plan

City of Ypsilanti Original and Five-Year Plan General Fund Reserves

Five-Year Plan Includes City Income Tax, 1/2 Water Street Debt Millage

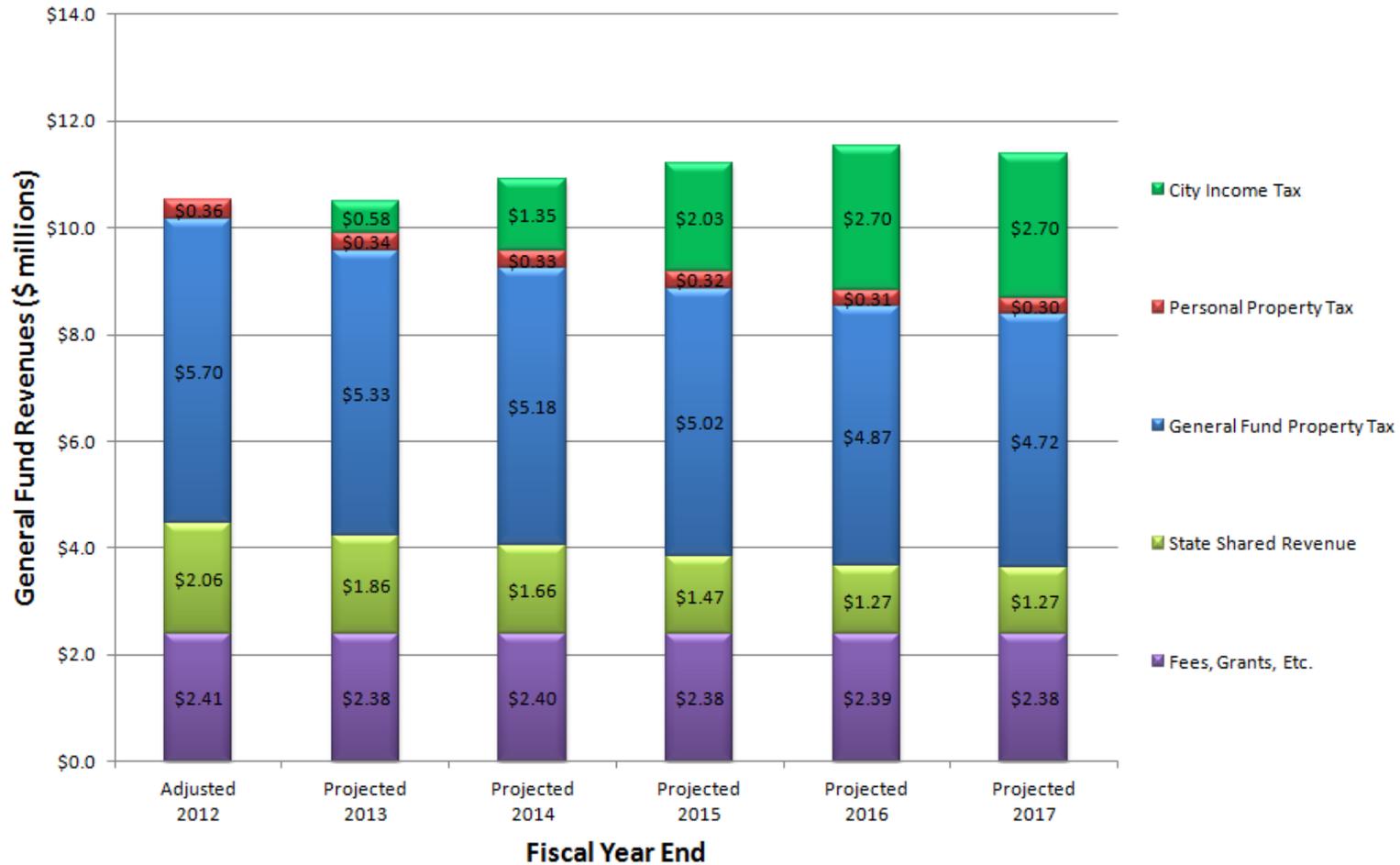
■ Original General Fund Reserves
 ■ Five-Year Plan General Fund Reserves



Replacing Lost Property Tax Revenue with the Five-Year Plan

City of Ypsilanti Five-Year Plan General Fund Revenues

Five-Year Plan Includes City Income Tax, 1/2 Water Street Debt Millage



Maintaining Police, Fire and City Services with the Five-Year Plan

City of Ypsilanti Five-Year Plan General Fund Expenses

Five-Year Plan Includes City Income Tax, 1/2 Water Street Debt Millage

