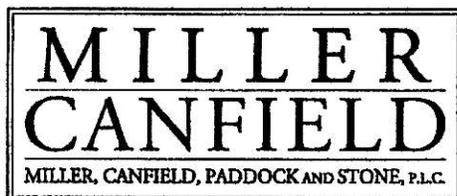


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October 19, 2005

Lori Grigg Bluhm, Esq.  
City Attorney  
City of Troy  
500 W. Big Beaver  
Troy, MI 48084-5285

Re: Downtown Development Authority of the City of Troy

Dear Ms. Bluhm:

You have asked us to address various issues relating to a proposed amendment to the boundaries of the Downtown District of the Downtown Development Authority of the City of Troy (the "DDA"). You have specifically asked us whether the DDA Act, Act 197, Public Acts of Michigan, 1975, as amended ("Act 197"), existing documents relating to the DDA's outstanding bonds and its Development Plan and Tax Increment Financing Plan (the "Plan") prohibit the City of Troy (the "City") and the DDA from amending the boundaries of the DDA District to remove four parcels of property that are currently in the Downtown District and the Development Area.

### **Background**

It is our understanding that the City Council has called a public hearing for October 24, 2005 for the purpose of amending the DDA District boundaries to remove several contiguous parcels of property (the "Property"). The current assessed value of the Property is less than the initial assessed value of the Property when the Plan was originally approved in 1993. The Property is being proposed as the site of a new mixed-use development that is expected to substantially increase the value of the Property when constructed and placed on the tax rolls.

**DDA Act Requirements for Amendment to DDA District Boundaries**

Section 3 of Act 197 sets forth the requirements for the creation of, and amendments to, the boundaries of a DDA District. MCL 125.1653. Section 3(5) states that the City Council “*may alter or amend the boundaries of the downtown district to include or exclude lands from the downtown district pursuant to the same requirements for adopting the ordinance creating the authority.*” MCL 125.1653(5).

The provisions in Act 197 for creating a DDA, or amending the DDA boundaries, require the City Council to hold a public hearing prior to adopting an ordinance designating the boundaries of the DDA. Notice of the public hearing must be given in the following manners between 20 and 40 days before the date of the hearing: published twice in a newspaper of general circulation in the City, mailed to the property taxpayers of record in the proposed district, mailed by certified mail to the governing body of each taxing jurisdiction that would be subject to capture and posted in at least 20 conspicuous and public places in the proposed district. MCL 125.1653(2). In order to amend the boundaries, the City Council is required to adopt an ordinance designating the boundaries of the DDA District or amending the original ordinance designating the boundaries; however the ordinance cannot be adopted in less than 60 days after the public hearing. MCL 125.1653(3). The procedures for amendment to the boundaries of the DDA downtown district do not require the consent or approval of the DDA Board as part of the amendment process.

As was the case with the initial establishment of the DDA downtown district, the amended boundaries of the DDA District must continue to satisfy the requirements of a “downtown district” under Act 197, which requires it to be “*part of an area in a business district.*” MCL 125.1651(k). A “business district” is defined as “*an area in the downtown of a municipality zoned and used principally for business.*” MCL 125.1651(e).

**Alternative Option is Amendment to DDA Development Area Boundaries**

Instead of amending the DDA District boundaries, another option by which the City could achieve a similar effect to exclude the future value of the Property from capture would be to amend the boundaries of the Development Area of the DDA to remove the Property, rather than amending the DDA District boundaries. The Development Area is the area designated in the Plan from which the DDA is authorized to capture tax increment revenues. The Development Area does not need to be as large as the DDA District, but property in the Development Area is required to be included

Lori Grigg Bluhm, Esq.

-3-

October 19, 2005

within the Downtown District. Typically, an amendment to a DDA downtown district to remove property from a downtown district would also be accompanied by an amendment to the Plan to make the corresponding change to the development area.

In order to amend the Development Area, the City would follow the procedures set forth in Sections 18 and 19 of Act 197. Section 19 requires amendments to the Plan to be submitted by the DDA to the City Council and approved or rejected by ordinance based on the considerations enumerated in Section 19. MCL 125.1669. Before adopting an ordinance approving or amending the Plan, the City Council is required to hold a public hearing pursuant to Section 18. Notice of the public hearing must be given in the following manners between 20 and 40 days before the date of the hearing: published twice in a newspaper of general circulation in the City, mailed to the property taxpayers of record in the proposed district, mailed by certified mail to the governing body of each taxing jurisdiction that would be subject to capture and posted in at least 20 conspicuous and public places in the proposed district. MCL 124.1668. The procedures for an amendment to the Plan requires the DDA Board to initiate the process by submitting the proposed Plan amendment to the City.

The benefit to the City to a Development Area amendment is that, unlike the procedures for the creation of a DDA District or an amendment to the DDA District boundaries in Section 3 of Act 197, there is no 60 day waiting period after the public hearing before adopting an ordinance amending the Plan and there is no opt out right by other taxing units for a Plan amendment. This provides the City more flexibility on the timing of the ordinance. Furthermore, if the City ever decided to add the Property back into the Development Area of the DDA, it would only be necessary to do another Plan amendment, which would not allow any taxing unit to opt out of capture. However, if the City were to proceed with removing the Property from the DDA District under Section 3, in order to add the Property back into the DDA the City would need to follow the procedures in Section 3 to amend the District boundaries thereby allowing taxing units to opt out of capture. The City would also need to do a Plan Amendment to make the corresponding change to the Development Area boundaries.

Thus, the City could achieve the same result of preventing the capture of tax increment revenues from the Property, but preserving future flexibility and protecting against an opt out by other taxing units, by amending the Development Area boundaries through a Plan amendment pursuant to Section 18 and 19 of Act 197 rather than an amendment to the boundaries of the DDA pursuant to Section 3 of Act 197.

## **DDA Bond Document Covenants**

### **1995 Bonds**

In 1995, the DDA issued two series of bonds to finance infrastructure improvements relating to the development of the Somerset North mall. Our firm served as Bond Counsel to the DDA in connection with the \$10,100,000 1995 Development Bonds, Series A and \$6,955,000 1995 Development Bonds, Series B, which were dated as of June 1, 1995 (together, the "1995 Bonds") and issued pursuant to a Trust Indenture between the DDA and Old Kent Bank, as trustee (the "Trust Indenture"). The 1995 Bonds were payable solely and only from tax increment revenues of the DDA, without the full faith and credit pledge of the City, and were further secured by a reserve fund and a municipal bond insurance policy issued by Asset Guaranty Insurance Company ("Asset Guaranty").

In connection with the issuance of the 1995 Bonds, as required by Asset Guaranty, Section 601(d) of the Trust Indenture contained a covenant by the DDA that "*The Authority shall not amend the Plan to alter the boundaries of the Development Area (as described in the Plan) in a manner that would reduce the tax increment revenues therefrom without the prior written consent of 100% of the Bondholders.*" The Trust Indenture provides that it shall be in effect until final payment of the 1995 Bonds or the defeasance of the 1995 Bonds in accordance with the terms of the Trust Indenture.

The DDA entered into a Development Agreement with Frankel/Forbes-Cohen Associates and the City, dated as of January 25, 1995 (the "Development Agreement") relating to various obligations of the parties in connection with the Somerset North mall and infrastructure development. Section 4.3 of the Development Agreement provides "*The City agrees that it will not cause the TDDA to be dissolved, or the Tax Increment Plan to be amended in any manner that would impair the time of payment or the amount of the Reimbursable Amount as provided under Section 2.2 hereof at any time after the date of this Development Agreement unless and until the Reimbursable Amount has been paid to the extent required hereunder.*" It is our understanding that the Reimbursable Amount, which refers to the DDA's purchase of the parking structure, was paid to the Developer in 1999 and this provision would no longer apply.

### **2001 Bonds**

In 2001, the DDA issued its \$24,000,000 Development and Refunding Bonds, Series 2001 (the "2001 Bonds") for the purpose of providing funds for new projects and

to advance refund all of the outstanding 1995 Bonds, Series A. Our firm did not represent the DDA in connection with the 2001 Bonds, however we have reviewed the resolution authorizing the 2001 Bonds and the Official Statement relating to the 2001 Bonds. The 2001 Bonds are payable solely and only from tax increment revenues of the DDA, without the full faith and credit pledge of the City, and are further secured by a reserve fund and a municipal bond insurance policy issued by MBIA Insurance Corporation ("MBIA"). The resolution authorizing the 2001 Bonds indicates that one of the purposes of the 2001 Bonds is to advance refund all of the outstanding 1995 Bonds, Series A, while simultaneously defeasing all of the outstanding 1995 Bonds, Series B, and *"to provide for the defeasance and termination of the security pledged with respect to the Prior Bonds including the lien of the Indenture and the Prior Resolutions."*

The resolution authorizing the 2001 Bonds contains a limitation on the issuance of additional bonds which allows additional bonds of the DDA pledging tax increment revenues of equal standing and priority of lien with the 2001 Bonds so long as the tax increment revenues for the last preceding audited fiscal year of the DDA is at least 1.4 times the maximum annual debt service on any outstanding senior lien bonds.

According to the transcript documents relating to the 2001 Bonds, all of the 1995 Bonds have been legally defeased and the Trust Indenture relating to the 1995 Bonds is no longer in effect. The DDA did not enter into a new trust indenture in connection with the 2001 bonds, and in our review of the resolution authorizing the 2001 Bonds and description of the documents in the Official Statement relating to the 2001 Bonds, we did not find any covenants of the DDA relating to amendments of the Development Area or DDA District. Thus, the covenant promising not to alter the boundaries of the DDA in the Trust Indenture is no longer in effect.

### 2002 Bonds

In 2002, the DDA issued its \$9,700,000 Community Center Facilities Bonds, Series 2002 (the "2002 Bonds") for the purpose of providing funds for the Community Center of the City. Our firm did not represent the DDA in connection with the 2002 Bonds, however we have reviewed the resolution authorizing the 2002 Bonds and the Official Statement relating to the 2002 Bonds. The 2002 Bonds are senior lien bonds of equal standing with the 2001 Bonds, payable solely and only from tax increment revenues of the DDA, without the full faith and credit pledge of the City, and are further secured by a reserve fund and a municipal bond insurance policy issued by MBIA. In our review of the resolution authorizing the 2002 Bonds we did not find any covenants of the DDA relating to amendments of the Development Area or DDA District.

2003 Bonds

In 2003, the DDA issued its \$4,025,000 Community Center Facility Junior Lien Bonds, Series 2003 (the "2003 Bonds") for the purpose of providing funds for the Community Center of the City and related infrastructure. Our firm did not represent the DDA in connection with the 2003 Bonds, however we have reviewed the resolution authorizing the 2003 Bonds and the Official Statement relating to the 2003 Bonds. The 2003 Bonds are junior lien bonds, junior in standing to the lien of the 2001 Bonds and 2002 Bonds, payable solely and only from tax increment revenues of the DDA, without the full faith and credit pledge of the City, and are further secured by a reserve fund. In our review of the resolution authorizing the 2003 Bonds we did not find any covenants of the DDA relating to amendments of the Development Area or DDA District.

Summary of Bond Document Covenants

Based on our review of the documents relating to the issuance of bonds by the DDA, there are no existing covenants of the DDA or the City which limit the ability of the DDA or the City to amend the boundaries of the DDA District or the DDA Development Area. The Trust Indenture relating to the 1995 Bonds contained limitations on the amendment to the boundaries of the Development Area, but that document is no longer in effect. The documents relating to the issuance of the 2001 Bonds, 2002 Bonds and 2003 Bonds (together, the "Outstanding Bonds") are still in effect. The existing documents relating to the Outstanding Bonds contain limitations on the ability of the DDA to issue additional debt of equal standing and priority of lien with the existing 2001 Bonds and 2002 Bonds. However, such additional bonds tests do not limit the ability to take actions impacting the tax increment revenues such as amending the DDA District or Development Area.

We have been informed by the City's financial advisor and Finance Department that the current tax increment revenues of the DDA are substantially less than the projected tax increment revenues which were included in the Official Statements for the outstanding bonds. This is due to a variety of factors resulting in less growth in the Development Area of the DDA than originally projected. Since each series of the outstanding Bonds are payable solely from the tax increment revenues of the DDA and a reserve fund, holders of the outstanding Bonds and MBIA, as the insurer of the 2001 Bonds and 2002 Bonds, may be sensitive to any actions taken by the DDA or City that negatively impact the tax increment revenues of the DDA. Since we were not involved with the issuance of the Outstanding Bonds, we do not know what statements were made to the Bondholders or MBIA regarding amendments to DDA District boundaries or

Development Area boundaries. We do not know what documents were provided to MBIA or the subject of any conversations between the City, DDA and MBIA regarding potential future changes to the DDA District. In the event of a shortfall of tax increment revenues to pay debt service on the Outstanding Bonds or other substantial diminution of tax increment revenues due to actions of the City or DDA, it is possible that holders of the Outstanding Bonds or MBIA might challenge actions by the City or DDA which impair their security. Since the Outstanding Bonds are payable solely from tax increment revenues, without the City's general fund as backup security, MBIA and the holders of the Outstanding Bonds may be negatively affected if the actions of the City result in a shortfall of tax increment revenues to pay debt service on the Outstanding Bonds. We understand that the City has requested its financial advisor to review the financial impact of the proposed boundary change. We have not reviewed the tax increment revenue projections and therefore no opinion is expressed by us as to the financial impact of the proposed boundary changes.

### **Conclusion**

Under Act 197, the City Council is authorized to amend the boundaries of the DDA District. The procedures relating to the amendment of boundaries requires a public hearing by the City Council and a waiting period of at least 60 days after the public hearing before the ordinance amending the boundaries can be adopted. The City could achieve the same result of preventing the capture of tax increment revenues from the Property, but preserve future flexibility and protect against an opt out by other taxing units by amending the Development Area boundaries through an amendment to the Plan rather than an amendment to the boundaries of the DDA.

Based on our review of the documents relating to the bonds issued by the DDA, there are no express prohibitions against the City and DDA amending the Plan or the boundaries of the DDA which are currently in effect. The covenants of the DDA and City in the Development Agreement and Trust Indenture prohibiting Plan amendments or boundary changes, which were made around the time of the issuance of the 1995 Bonds, are no longer effective. However, since the Outstanding Bonds are payable solely and only from tax increment revenues, in the event of a shortfall of tax increment revenues to pay debt service on the Outstanding Bonds or other substantial diminution of tax increment revenues due to actions taken by the City or DDA, it is possible that holders of the Outstanding Bonds or MBIA might challenge actions by the City or DDA which results in an inability to be paid from tax increment revenues as an impairment of their security. We understand that the City has requested its financial advisor to review the tax

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Lori Grigg Bluhm, Esq.

-8-

October 19, 2005

increment revenue projections of the DDA and no opinion is expressed by us as to the financial impact of the proposed boundary changes.

We would be happy to discuss this matter with you further at your convenience. If you have any further questions, please give me a call.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

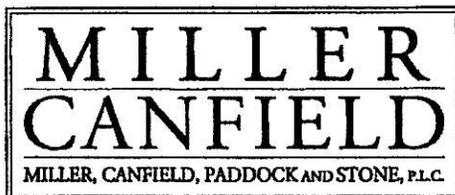
By: 

Patrick F. McGow

cc: John Szerlag, City Manager  
John Lamerato, Assistant City Manager  
Joel Piell, Esq.  
Robert C. Bendzinski

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by Sidney Davy Miller



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October 20, 2005

Lori Grigg Bluhm, Esq.  
City Attorney  
City of Troy  
500 W. Big Beaver  
Troy, MI 48084-5285

Re: Downtown Development Authority of the City of Troy Questions

Dear Ms. Bluhm:

You have asked us to address various questions which arose at the October 17<sup>th</sup> City Council meeting relating to the Downtown Development Authority of the City of Troy (the "DDA").

**Question 1: Can the DDA be expanded to include the Maple Road corridor and/or the Stephenson Road corridor? If so, what is the process for doing so?**

As we discussed in our opinion dated October 19, 2005 regarding the DDA, the City Council has the authority to amend the boundaries of the DDA pursuant to the requirements of the DDA Act, Act 197, Public Acts of Michigan, 1975, as amended ("Act 197"). Section 3(5) states that the City Council "*may alter or amend the boundaries of the downtown district to include or exclude lands from the downtown district pursuant to the same requirements for adopting the ordinance creating the authority.*" MCL 125.1653(5).

In order to expand the DDA boundaries, the City Council must determine that it is necessary for the best interests of the public to halt property value deterioration and increase property tax valuation in its business district and promote economic growth through the expansion of the DDA district. The expansion area must satisfy the requirements of Act 197 to be included in a DDA downtown district as was the case with the initial establishment of the DDA downtown district.

The City Council would need to determine that the new area to be added is part of the City's "downtown district" and satisfies the requirements of a "downtown district" under Act 197, which requires it to be "*part of an area in a business district*." MCL 125.1651(k). A "business district" is defined as "*an area in the downtown of a municipality zoned and used principally for business*." MCL 125.1651(e). Thus, a majority of the property to be added must be both zoned for business and used for business (i.e. commercial, industrial, etc.) as opposed to residential property.

In addition, Section 3(1) of Act 197 implies that property value deterioration must exist within the proposed DDA district in order for that City to include the territory as part of the DDA district. Although there has been no judicial determination that property value deterioration is a condition precedent to the formation of a DDA and if so the required extent of such property value determination, the Attorney General of Michigan has opined in the instance of the creation of a Tax Increment Finance Authority which is formed pursuant to Act 450 of the Public Acts of 1980, as amended, that a Tax Increment Finance Authority may not be incorporated unless there is (1) an actual decline in property tax valuation and (2) that a significant number of parcels or property in the area of the municipality must be found to be declining in property value in order to warrant the establishment of an Authority. OAG 6335, dated January 16, 1986. By OAG 6558, dated January 18, 1989, the Attorney General's office extended this reasoning to the creation of a DDA pursuant to Act 197. Neither opinion of the Attorney General speaks to the number of parcels or the percentage of parcels within a district that must be found to have property value deterioration, but the opinions do indicate that one or two parcels will not suffice and that the number of parcels in their totality must be significant.

Finally, there can only be one DDA district in the City under current law. Any additions to the DDA must be contiguous with the existing DDA district boundaries. So, in order to add the Maple Road corridor and/or the Stephenson Road corridor it would be necessary to connect those additions with the existing DDA district boundaries along Big Beaver Road.

We have not had the opportunity to review the details of a proposed addition to the DDA boundaries along Maple Road or Stephenson Road to determine whether the proposed addition satisfies the above requirements for inclusion as part of the DDA district. It would be necessary to review assessment records relating to property valuation as well as the appropriate zoning and use maps to determine whether the proposed additions satisfies the requirements of a business district.

The procedures for amending the DDA boundaries require the City Council to hold a public hearing prior to adopting an ordinance designating the boundaries of the DDA. Notice of the public hearing must be given in the following manners between 20 and 40 days before the date of the hearing: published twice in a newspaper of general circulation in the City, mailed to the property taxpayers of record in the proposed district, mailed by certified mail to the governing body of each taxing jurisdiction that would be subject to capture and posted in at least 20 conspicuous and public places in the proposed district. MCL 125.1653(2). In order to amend the boundaries, the City Council is required to adopt an ordinance designating the boundaries of the DDA District or amending the original ordinance designating the boundaries; however the ordinance cannot be adopted in less than 60 days after the public hearing. MCL 125.1653(3).

**Question 2: Since the City of Troy has not pledged its credit for payment on the outstanding DDA bonds, what happens if the DDA is not able to make the bond payments on its own accord? Are assets of the DDA at risk?**

The resolutions relating to the Outstanding DDA Bonds (as described in our October 19, 2005 opinion) indicate that the Outstanding DDA Bonds are secured solely by the collection of tax increment revenues and all moneys in the Bond Funds of the DDA for repayment of the Outstanding DDA Bonds and the Reserve Funds relating to each series of the Outstanding DDA Bonds, and all investment income derived from moneys in such funds. The resolutions also provide that the Outstanding DDA Bonds are not a general obligation of the DDA or the City and shall never constitute or give rise to a charge against the general credit of the DDA or the general credit or taxing powers of the City.

If the annual tax increment revenues are not sufficient to pay principal and interest on all of the Outstanding DDA Bonds, the DDA would be required to apply the tax increment revenues captured in previous years which are in its Bond Fund or other funds and accounts. The first priority is to pay the 2001 Bonds and 2002 Bonds which are senior in standing to the 2003 Bonds. If there are insufficient tax increment revenues to pay debt service, the DDA would be required to draw on funds in the Reserve Fund for the series of Bonds which has a shortfall, which would be the Series 2003 Bonds. It should also be noted that the DDA has the authority to levy an ad valorem property tax on all taxable property in the DDA District. Act 197 authorizes the DDA to levy a tax of up to 2 mills with the approval of City Council.

Technically, the only assets of the DDA pledged for payment of the Outstanding DDA Bonds are the tax increment revenues and moneys derived from tax increment

revenues in the various funds and accounts of the DDA. The DDA has not pledged any other property or assets as security for the Outstanding DDA Bonds. There is no mortgage or lien on the infrastructure improvements or Community Center financed with the Outstanding DDA Bonds.

If the DDA exhausts all available funds in the Reserve Fund for the 2003 Bonds and cannot pay the principal and interest, then it is possible the holders of the 2003 Bonds would initiate a lawsuit against the DDA (and possibly the City). Since there is no judicial precedent, it is unclear what remedial actions a judge would order in the event of a default by the DDA on payment on the Outstanding DDA Bonds, although it is unlikely that infrastructure improvements or buildings would be seized on behalf of bondholders.

**Question 3: Is there a way to “bill back” or otherwise provide money to the City’s general fund if it is determined that the DDA is a burden to the tax base?**

The DDA cannot generally pay money to the City’s general fund if it is determined to be a burden to the tax base. The DDA is only permitted to use tax increment revenues to pay for improvements and activities which are described in the DDA’s Development Plan and Tax Increment Financing Plan and authorized under Act 197. Act 197 does permit the City to charge the DDA for administrative items such as costs of handling funds and audits. MCL 125.1678.

**Question 4: How will the DDA be required to modify its current board structure if the Monarch project is added to the DDA in order to accommodate the residential representatives? Will the addition of a resident to the DDA Board require an amendment to the Development Plans?**

Section 4(1) of Act 197 sets forth the requirements for the composition of the DDA Board which includes a requirement that “*Not less than 1 of the members shall be a resident of the downtown district, if the downtown district has 100 or more persons residing within it.*” MCL 125.1654(1). It is our understanding that the DDA Board currently is made up of 13 members, which is the maximum permitted by Act 197. Thus, once it is determined that there are 100 or more residents within the DDA District, the Mayor should appoint (with the approval of the City Council) a resident of the DDA District to the next open seat or vacancy on the DDA Board.

It should not be necessary to amend the Development Plan and Tax Increment Financing Plan of the DDA in order to appoint a new Board member who is a resident of the downtown district.

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Lori Grigg Bluhm, Esq.

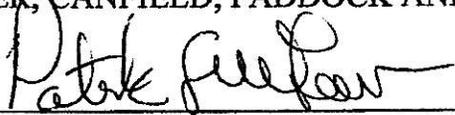
-5-

October 20, 2005

We would be happy to discuss this matter with you further at your convenience. If you have any further questions, please give me a call.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

By: 

Patrick F. McGow

cc: John Szerlag, City Manager  
John Lamerato, Assistant City Manager  
Joel Piell, Esq.  
Robert C. Bendzinski

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October 20, 2005

Mr. John Szerlag, City Manager  
City of Troy  
500 W. Big Beaver Road  
Troy, Michigan 48084-5285

RE: Impact of Reducing the Boundaries of the Troy Downtown Development Authority

Dear Mr. Szerlag:

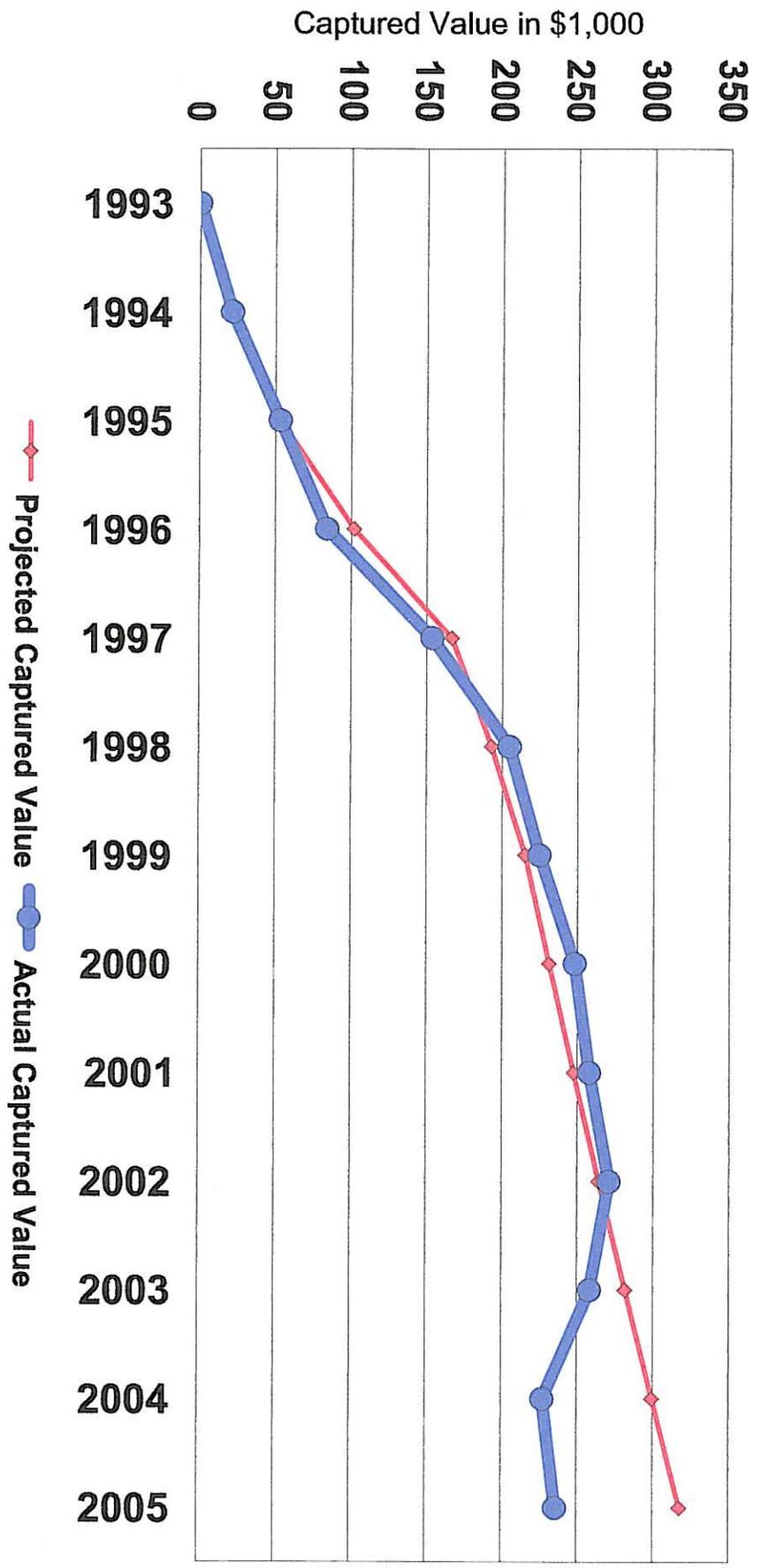
You have asked us to review the financial impact of changing the boundaries of the Troy Downtown Development Authority (the "DDA") by eliminating lots 90 through 93, except the South 42 feet of lots 90 and 92 of Muer's Garden Farms Subdivision in the City of Troy, more commonly known as the proposed Monarch Development.

#### BACKGROUND

When the City established the DDA and its boundaries by ordinance on July 12, 1993, the State Equalization Valuation of all real and personal property within the District was \$429,278,530. The Downtown Development Authority Act (the "DDA Act") requires that the City and the DDA prepare a Development Plan and Tax Increment Financing Plan (the "Plan") which established the boundaries of a "development area" within which the DDA would exercise its powers. The Plan, amongst other things, **froze the State Equalized Valuation (the "Initial Assessed Valuation") within the development area for the benefit of the various taxing jurisdictions** and made projections of the "growth" in State Equalized Valuation, (later to become Taxable Value with the passage of Proposal A in 1994) within the DDA area. The growth projections were based on the historical growth that had taken place within the DDA district and the expected growth as a result of the development of Somerset North in accordance with a Development Agreement between the DDA, the City and Frankel/Forbes Cohen Associates (the "Development Agreement"). This growth is called "Captured Value". A comparison of the "projected" Captured Value to the "actual growth" in valuations from 1993 through 2005 is set forth in Table 1 on page 2. All of the taxing jurisdictions, **including the City,**

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**Table 1**  
**Actual Vs. Projected Captured Values within the DDA District**



**Bendzinski & Co.**

Mr. John Szerlag, City Manager

October 20, 2005

Page 3

continue to levy and collect taxes based on the Initial Assessed Valuation for along as the DDA continues to exist. Those taxes are used by the taxing jurisdictions for general operating and debt purposes, just as all other taxes collected by them.

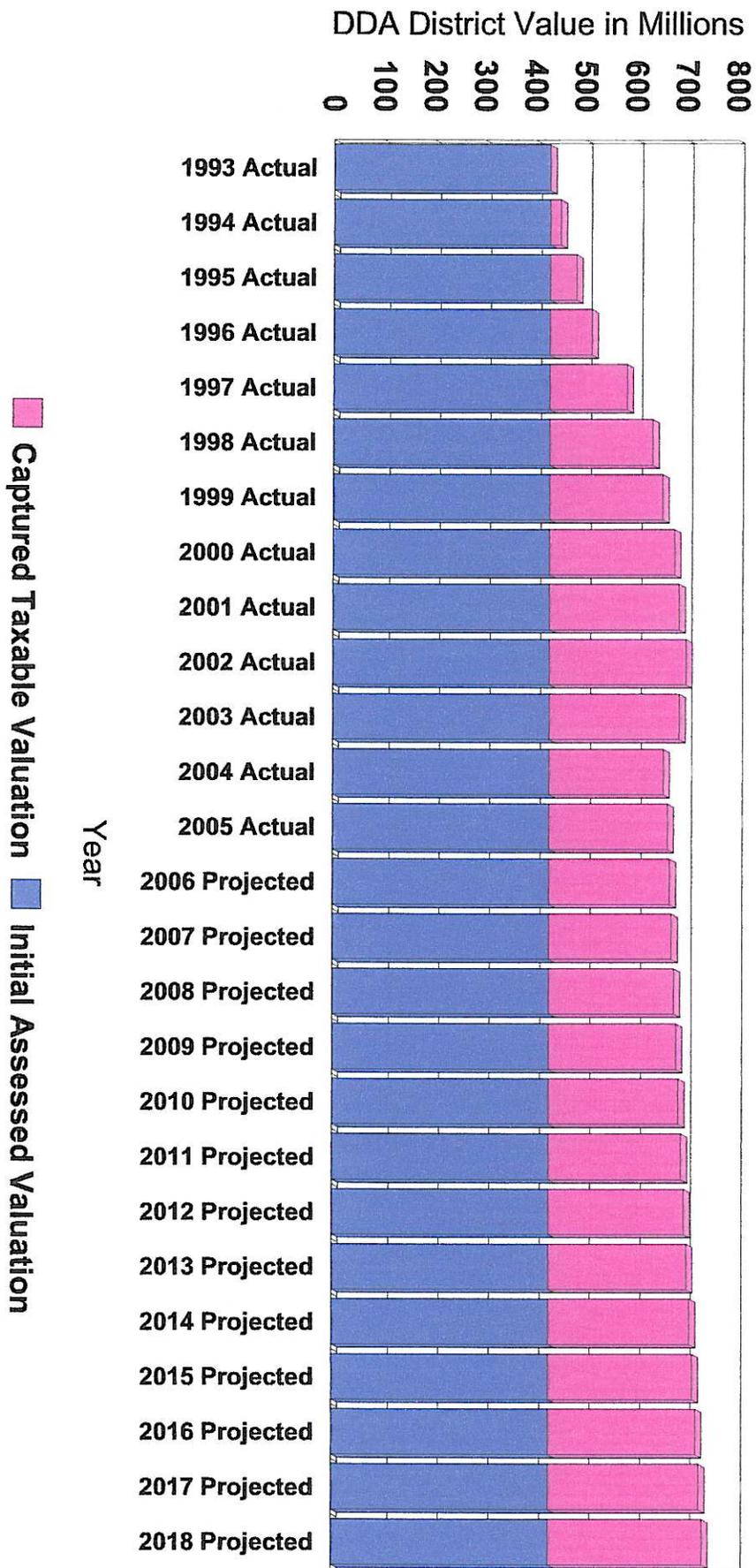
The Authority is only permitted to levy and collect taxes for DDA purposes on the Captured Value over and above the Initial Assessed Valuation. In other words, the taxing jurisdictions are “guaranteed” the Initial Assessed Valuation as “their tax base” within the DDA as long as the DDA continues to exist - NO MATTER WHAT HAPPENS TO THE VALUATIONS WITHIN THE DDA DISTRICT. A comparison of the “Initial Assessed Valuation” for City and the Captured Value for DDA is setforth in Table 2 on page 4. Please note that the City’s Initial Assessed Valuation has remained unchanged while the DDA’s Captured Value did initially increase and then declined in 2001 as a result of economic factors including vacancies, personal property reduction and unfavorable property tax appeals. **The current ratio of valuations within the DDA District is City 66% - DDA 33%.** In other words the City will receive 66% of the tax revenues (using the 2005 City Tax rate) generated within the DDA district and the DDA receives approximately 33% for the 2005 tax year.

Based upon the above valuations and utilization of the 2005 tax rate for the City the tax revenues generated within the DDA District as are follows:

Governmental Unit	Tax Rates	Initial Assessed Valuation in	Captured Value	Amount
City of Troy	\$9.45	\$429,278,530.00	\$0.00	\$4,056,682.11
Troy DDA	\$9.45	\$0.00	\$235,652,270.00	\$2,226,913.95

As you can see based upon the 2005/06 fiscal years, the City of Troy is receiving approximately twice as much in tax revenues as the DDA.

**Table 2**  
**City of Troy DDA Historical and Projected Valuations**



A history of taxes collected within the DDA district is set forth on Table 3, page 6.

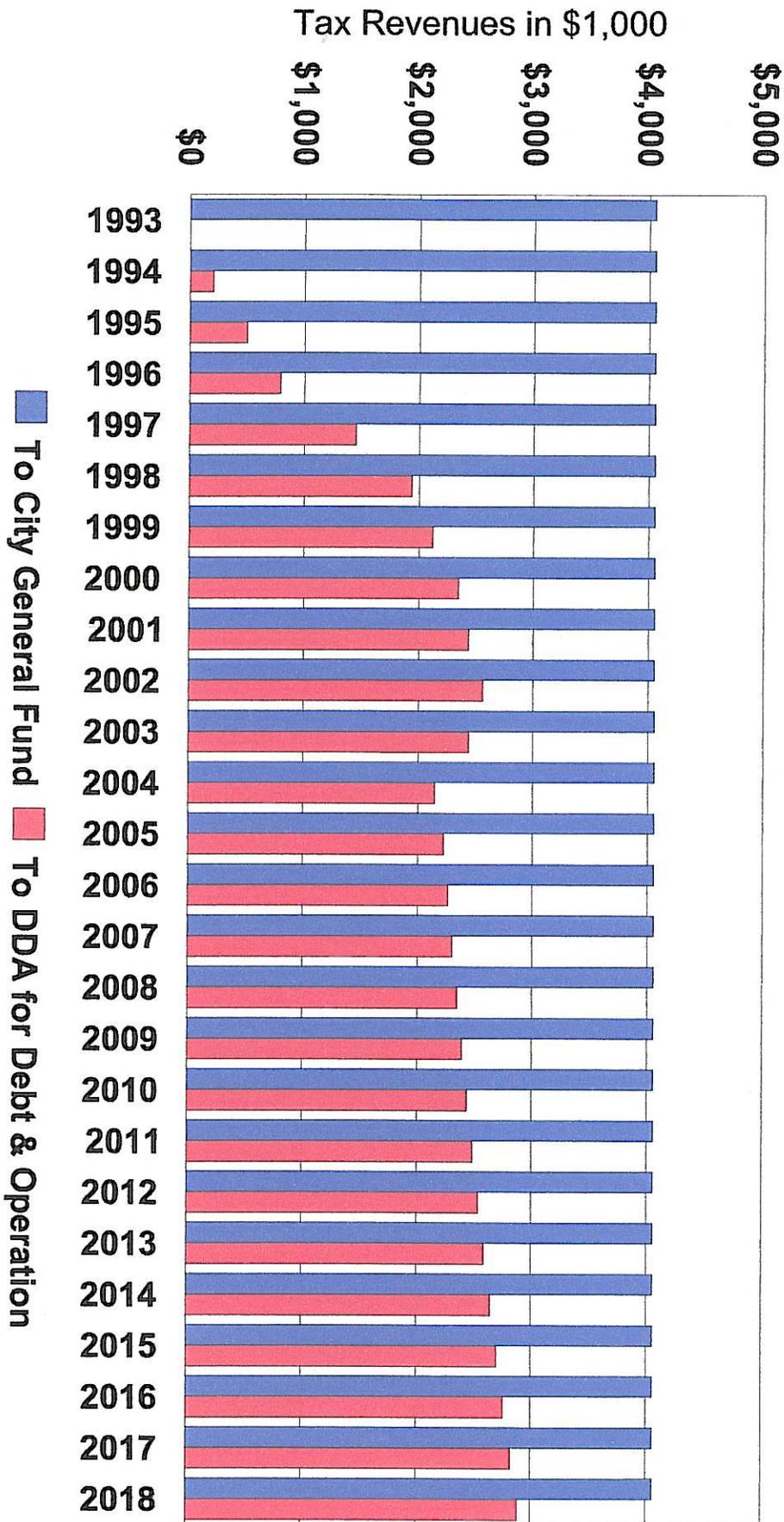
### ISSUANCE OF BONDS

When the DDA was formed in 1993, it was formed for the initial expressed purpose of providing a revenue source to the City in order to comply with a Court judgment permitting the developers to build Somerset North despite the fact that they did not have the parking spaces required to provide parking for the proposed Somerset North as required by the City's zoning ordinance, as well as, provide improvements to Big Beaver Road to handle the anticipated increase in traffic. As part of the process to meet the City's obligation, the City agreed to establish the DDA, which it did on July 12, 1993.

The DDA, represented by the City Manager, City Attorney, Assistant City Manager of Finance, Bendzinski & Co and Special Legal Counsel, then entered into negotiations with Developer to come up with the Development Agreement. After long good faith negotiations with the Developer and the signing of the Development Agreement, the DDA entered negotiations with municipal bond insurers, rating agencies and the underwriter to issue DDA Revenue Bonds using ONLY the Tax Increment Revenues resulting from the Captured Value within the DDA District for the payment of the debt service obligations of the DDA Revenue Bonds. These negotiations were required because the then City Council was **NOT willing to pledge its full faith and credit** as secondary credit for payment of the bonds. The lack of the City's pledge of credit and the fact that the DDA had not been in existence for, at least 5 years, resulted in numerous agreements and documents having to be negotiated, including but are not limited to, the following:

1. The Development Agreement;
2. A Trust Indenture; and,
3. Insurance Commitment

**Table 3**  
**Taxes Collected Within the DDA Districts**



**Bendzinski & Co.**

Mr. John Szerlag, City Manager

October 20, 2005

Page 7

In 1995 the DDA issued two Series of DDA Revenue Bonds, which were given ratings of AAA as a result of the purchase of municipal bond insurance. The insurance was secured after long negotiations with the Insurer and the Rating Agencies and based on the credit worthiness of the Developer and other major taxpayers within the Development District. Part of the documentation provided the Rating Agencies and the Insurance Companies included the Development Plan and Tax Increment Financing Plan, as well as the items listed above. Some of the highlights of those documents include:

- The Development Agreement provided and the City and the DDA agreed that the DDA would not change the boundaries of the Development Area so long as the bonds are outstanding.
- In the Trust Indenture, the DDA specifically agreed that it **would not change the boundaries of the District, so long as the bonds are outstanding**. In 2001 the Authority defeased the Series B Bonds and refinanced the Series A Bonds through the issuance of Refunding Bonds. The bondholders based their investment decision on the representations in the DDA Plan, which included a statement that the debt service requirements of the DDA would not be more than 80% of the captured revenues of the DDA, or in other words, the Captured Revenues are “expected” to be 125% of the annual debt service requirements. If you look at the 2005-06 fiscal year budget for the DDA, after deducting the operating expenses of the DDA, the debt service is currently at 113% of the net tax revenues of the DDA. In other words, in stead of having coverage of 125 %, the coverage is only 113%.
- In order to secure bond insurance on the 2002 DDA Revenue Bonds, we had to negotiate with the insurer of the 2001 bonds a change in the coverage factor for all future bonds of the DDA. The bond insurer required a debt service coverage ratio of 140% rather the Plan coverage of 125%.

**Bendzinski & Co.**

Mr. John Szerlag, City Manager

October 20, 2005

Page 8

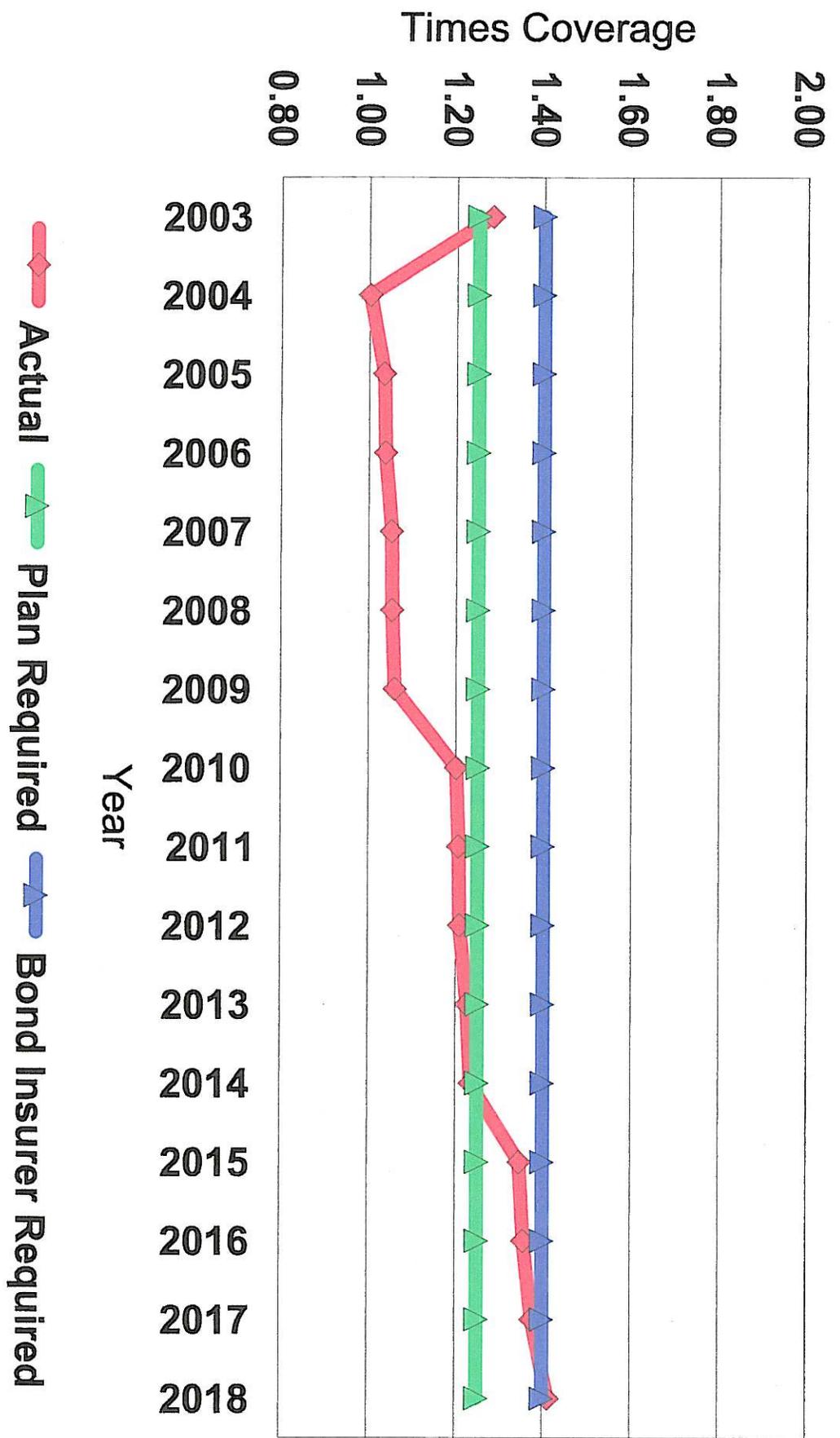
We have prepared Table 4 on page 9 which shows the various coverage requirements made to sell the 1995 bonds, 2001 refunding bonds, the 2002 bonds and the 2003 junior lien bonds.

**CONCLUSIONS**

While Bond Counsel is of the opinion that many of the original conditions for the issuance of the 1995 DDA Revenue Bonds lapsed with the issuance of the Refunding Bonds, it is our opinion that the City and the DDA have:

- A **“moral obligation” to bondholders** to continue, at a minimum, the boundaries of the DDA in as much as the “refunding bonds” are a continuation of the 1995 bonds ONLY at lower interest rates.
- While we realize that significant factors have affected the Captured Value within the DDA, including vacancies, personal property reductions and unfavorable property tax appeals, it is our opinion that the City and the DDA’s initial projections as to the anticipated growth within the DDA District have not been met, and therefore should not change the boundaries of the district.
- The debt service coverage was based on projections of growth in the Captured Value. The current debt service coverage has not met the requirements of neither the Plan (which was the City’s and the DDA representations based on the then existing law) nor the Insurance Commitments (which was a condition of securing the AAA rating on the 2002 bonds that resulted in a lower interest rates on those bond). By changing the boundaries of the district the City would be acting in bad faith to its bondholders.
- The DDA and the City would, in our opinion, have to make a “Disclosure of a Material Event to all bondholders, Bond Insurer’s and the rating agencies if they would to change the boundaries of the district ”, as required under the DDA’s and the City’s Continuing Disclosure Agreements.

**Table 4**  
**Comparison of Actual Debt Service Coverage**



**Bendzinski & Co.**

Mr. John Szerlag, City Manager

October 19, 2005

Page 10

- The City and the DDA would most likely face a reduction in the City's outstanding credit rating of AAA and the DDA's outstanding credit rating of AA.

We believe that this provides you with an indication of our concerns about changing the boundaries of the DDA and should you have any questions, or require any additional information, please do not hesitate to call upon us..

Sincerely,

**BENDZINSKI & CO.**  
**Municipal Finance Advisors**

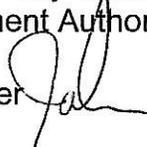
  
Robert C. Bendzinski, Chairman

RCB\cam

S:\lwpdocs\City\Troy\Troy DDA Ltr

October 18, 2005

TO: The Honorable Mayor and City Council Members  
Troy Downtown Development Authority Members

FROM: John Szerlag, City Manager 

SUBJECT: Donors vs. Consumers of Municipal Services

The attached memoranda from Assistant City Manager/Services Brian Murphy, and City Assessor Nino Licari indicate that when it comes to municipal services, business properties are donors, and residential properties are consumers. And please know that this relationship is not specific to the City of Troy, it's pretty much universal. This is why it's important to nurture a strong business base because it enables a high level of service at a low overall property tax rate.

I hope this matter clarifies some issues that were brought up at your joint meeting, and as always, I'll be happy to answer any comments or questions you may have.

JS/mr\2005\To M&CC and DDA Members

c: Lori G. Bluhm, City Attorney  
John M. Lamerato, Assistant City Manager/Finance & Administration  
Nino Licari, City Assessor  
Brian P. Murphy, Assistant City Manager/Services  
Douglas J. Smith, Real Estate & Development Director

October 18,

To: John Szerlag, City Manager

From: Nino Licari, City Assessor 

Re: DDA Agenda Item – Report & Communication, Donor Taxpayers

Questions arose at the joint meeting between the City council and the Downtown Development Authority (DDA) of October 17, 2005.

Specifically, there was confusion over the status of Residential or Commercial/Industrial properties (C&I) being donor taxpayers, in other words, which class of property uses the most governmental services, yet pays less for them.

Attached is a chart which details several analysis' of taxes paid, and services used.

Residential property accounts for 74.25% of the total acreage in the City (exclusive of roads), and as of 2005, pays 54.95% of the total taxes. This leaves C&I property with 25.75% of the remaining acreage, and paying 45.05% of the total taxes.

The same percentages of taxes holds true for the portions of the City millage rate made up of Operating, Capital, and Debt.

The Refuse portion of the City tax rate is a different story. While the Residential class pays 54.95% of the Refuse millage, they use 100% of the service. Conversely, the C&I class is paying 45.05% of the Refuse tax, and receiving no benefit, or use, from it.

The County and Transportation taxes are split at the 54.95% and 45.05% ratios for Residential and C&I respectively. However, the County millage rate is made up of Parks and Recreation, and a Huron Clinton Metropolitan Authority, of which the C&I properties do not use.

The local School taxes paid by the Residential class amount to 39.20% of the total local School taxes paid by the property owners of the City of Troy. Thus the C&I properties pay 60.80% of the total local School taxes in the City.

It should also be pointed out that not all of the School taxes paid by the C&I class (essentially Non-Homestead) properties stay in the local schools. This money is pooled, and redistributed to all school districts in equal installments. Essentially, the C&I properties are donor taxpayers to other school districts in the State.

The Intermediate School District (ISD), the Community College, and the Local School Debt millages create the same ratio of tax payments by the Residential (54.95%) and C&I (45.05%) classes in the City. Yet, once again, while contributing 45.05% of the funding to these entities, the C&I properties receive none of the services offered by them.

There are 325.04 miles of road in the City of Troy. Of these, 269.27 miles are Local (mainly Residential) roads. This leaves the C&I class with 55.77 miles of roads. The Local roads account for 82.84% of the total, and leaving 17.16% of the roadways as Major roads. The City maintains all of this mileage.

While Residential subdivisions are responsible for installing their own roads, sewer, water, sanitary, and utilities, these infrastructures become the responsibility of the City after construction is complete.

Major road construction and expansion is funded through Federal and State dollars (think TIP), and are not funded through the General Fund (other than additional Right of Way purchases).

And while many of the major trunk lines for sewer and water and drainage were installed with general obligation bonds, any construction along these trunks brings a charge to the development to cover the cost of the initial installation. Additionally, fees charged for the service cover maintenance for all users.

Between January 1, 2003 and October 11, 2005, there were 295 fire runs to structures. Of these, 229, or 77.36% were to Residential properties. This leaves 67 runs, at 22.64% for C&I properties.

Bearing in mind that certain properties (such as the Malls) do require more than normal Police service, most C&I properties are not accessible 24 hours a day, seven days a week. Most high rise, and newer C&I properties have sprinkler systems. Most have alarm systems. Many have either their own security, or video surveillance. This cuts back dramatically on service calls.

While there is much more data available to support the conclusion to be drawn, time did not allow for the reporting of it here.

It does seem very clear that the C&I class is the donor class, and the Residential class is the user of City services.

**City of Troy - Assessing Department**  
**Comparison of Residential and Commercial/Industrial Taxes (2004 Millages)**

<b>Res Acres</b>	14,762.08	<b>C&amp;I Acres</b>	5,119.06	<b>Total Acres</b>	19,881.14
<b>% Res Acres</b>	74.25	<b>% C&amp;I Acres</b>	25.75	<b>% Total</b>	100.00
<b>Total Res T/V</b>	2,892,925,590.00	<b>Total C&amp;I T/V</b>	2,371,425,960.00	<b>Total T/V</b>	5,264,351,550.00
<b>% Res T/V</b>	54.95	<b>% C&amp;I T/V</b>	45.05	<b>% Total T/V</b>	100.00
<b>Total Res City Taxes</b>	27,338,146.83	<b>Total C&amp;I City Taxes</b>	22,409,975.32	<b>Total City Taxes</b>	49,748,122.15
<b>% Total Res City Tax</b>	54.95	<b>% Total C&amp;I City Tax</b>	45.05	<b>% Total City Tax</b>	100.00
<b>Res Tax/Acre</b>	1,851.92	<b>C&amp;I Tax Acre</b>	4,377.75	<b>Avg Tax/Acre</b>	2,502.28
<b>Res Refuse Tax</b>	2,401,128.24	<b>C&amp;I Refuse Tax</b>	1,968,283.55	<b>Total Refuse Tax</b>	4,369,411.79
<b>% Res Refuse Tax</b>	54.95	<b>% C&amp;I Refuse Tax</b>	45.05	<b>% Total Refuse Tax</b>	100.00
<b>% Res Refuse Use</b>	100.00%	<b>% C&amp;I Refuse Use</b>	0.00%	<b>% Total Refuse Tax</b>	100.00
<b>Res Operating Tax</b>	18,804,016.34	<b>C&amp;I Operating Tax</b>	15,414,268.74	<b>Total Operating Tax</b>	34,218,285.08
<b>Res Capital Tax</b>	4,686,539.46	<b>C&amp;I Capital Tax</b>	3,841,710.06	<b>Total Capital Tax</b>	8,528,249.52
<b>Res Debt Tax</b>	1,446,462.80	<b>C&amp;I Debt Tax</b>	1,185,712.98	<b>Total Debt Tax</b>	2,632,175.78
<b>% Res Taxes</b>	54.95	<b>% C&amp;I Taxes</b>	45.05	<b>% Total Op,Cap, Dbt</b>	100.00
<b>Res County Tax</b>	13,445,160.97	<b>C&amp;I County Tax</b>	11,021,439.29	<b>Total County Tax</b>	24,466,600.26
<b>Res Transp Tax</b>	1,724,762.24	<b>C&amp;I Trans Tax</b>	1,413,844.16	<b>Total Trans Tax</b>	3,138,606.40
<b>% Res Tax Co. Trans</b>	54.95	<b>% C&amp;I Tax Co. Trans</b>	45.05	<b>% Total Co. Trans</b>	100.00
<b>Res School Tax</b>		<b>C&amp;I School Tax</b>		<b>Total School Tax</b>	
<b>Homestead</b>	32,887,797.47	<b>Homestead</b>	11,990.75	<b>Total Homestead</b>	32,899,788.22
<b>Non-Homestead</b>	3,799,553.59	<b>Non-Homestead</b>	56,890,365.79	<b>Total Non- Hmstd</b>	60,689,919.38
<b>Total Res School</b>	36,687,351.06	<b>Total C&amp;I School</b>	56,902,356.54	<b>Total School</b>	93,589,707.60
<b>% Res School</b>	39.20	<b>% C&amp;I School</b>	60.80	<b>% Total</b>	100.00
<b>% Res School Use</b>	100.00	<b>% C&amp;I School Use</b>	0.00	<b>% Total School Use</b>	100.00
<b>Res ISD Tax</b>	9,774,906.28	<b>C&amp;I ISD Tax</b>	8,012,811.18	<b>Total ISD Tax</b>	17,787,717.46
<b>% Res ISD Tax</b>	54.95	<b>% C&amp;I ISD Tax</b>	45.05	<b>% Total ISD Tax</b>	100.00
<b>% Res ISD Use</b>	100.00	<b>% C&amp;I ISD Use</b>	0.00	<b>% Total ISD Use</b>	100.00
<b>Res CommColl Tax</b>	4,596,569.47	<b>C&amp;I CommColl Tax</b>	3,767,958.71	<b>Total CommColl Tax</b>	8,364,528.18
<b>% Res Comm Coll</b>	54.95	<b>% C&amp;I CommColl</b>	45.05	<b>% Total CommColl</b>	100.00
<b>% Res C.C. Use</b>	100.00	<b>% C&amp;I C.C. Use</b>	0.00	<b>% Total C.C. Use</b>	100.00
<b>Res School Debt Tax</b>	11,947,782.69	<b>C&amp;I School Debt Tax</b>	9,793,989.21	<b>Total School Debt Tax</b>	21,741,771.90
<b>% Res Sch Debt Tax</b>	54.95	<b>% C&amp;I Sch Debt Tax</b>	45.05	<b>% Total Sch Debt Tax</b>	100.00
<b>% Res Sch Debt Use</b>	100.00	<b>% C&amp;I Sch Debt Use</b>	0.00	<b>% Total Sch Debt Use</b>	100.00
<b>Miles Local Road</b>	269.27	<b>*Miles Major Road</b>	55.77	<b>Total Miles Road</b>	325.04
<b>% Local Road</b>	82.84	<b>% Major Road</b>	17.16	<b>% Total</b>	100.00
* Major Road construction is covered by Federal TIP funding Sanitary and Water are billed to C&I at Time of Construction					
<b>Res Fire Runs</b>	229.00	<b>C&amp;I Fire Runs</b>	67.00	<b>Total Fire Runs</b>	296.00
<b>% Res Fire Runs</b>	77.36	<b>% C&amp;I Fire Runs</b>	22.64	<b>% Total Fire Runs</b>	100.00

10/18/2005

October 19, 2005

TO: John Szerlag, City Manager

FROM: Doug Smith, Real estate and Development Director 

SUBJECT: AGENDA ITEM - Information for Council Public Hearing on DDA Boundaries

A number of issues were raised at the Monday night, October 17<sup>th</sup> Joint Council and DDA meeting and at the Wednesday, October 20<sup>th</sup> DDA meeting. Following is simply a list of the issues that may help Council as they deliberate on considering boundary changes for the DDA.

**Purpose:**

The underlying purpose of the DDA is simply to accelerate the pace and amount of growth in a principal business district by investing in public infrastructure, the increased tax revenue from the district for a period not to exceed 30 years.

In Troy's case, the Big Beaver Corridor is the primary business district and is critical to attracting companies to Troy even though they end up in the Northfield business district or along Maple and Stephenson Highway.

**Authority for DDA:**

- The DDA is a creation of Troy's ordinance Number 78, which was adopted on July 12, 1993.
- Troy's ordinance directs you to the state statute (MCL 125.1651 et. Seq.), which was adopted in 1975.
- The state statute grants broad powers to the DDA Board.
- There is a termination provision in Ordinance 78-December 31, 2024 OR upon the retirement of all bonded debt, whichever occurs last.

**Ordinance/Determination of Necessity; Purpose:**

"An act to provide for the establishment of a downtown development authority; to prescribe its power and duties; to correct and prevent

deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; to authorize the use of tax increment financing; to reimburse downtown development authorities for certain losses of tax increment revenues; and to prescribe the powers and duties of certain state officials.” (Troy Ordinance #78)

### **Powers of the DDA:**

MCL 125.1657 – the Board may:

- Prepare an analysis of economic changes in the downtown district.
- Stud the impact of metro growth on the downtown district.
- Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation or reconstruction of a PUBLIC facility, an existing building or a multiple-family dwelling when necessary to aid in the economic growth of the district.
- Plan, propose and implement an improvement to a public facility within the development area for a barrier free design.
- Develop long range plans designed to halt the deterioration of property values in the downtown district & to promote growth of the district – and to take steps to persuade property owners to implement the plans.
- Implement any plan of development in accordance with the purposes of the act and the powers granted by the act.
- Contract for the exercise of powers and performance of duties,
- Acquire land (eminent domain) when reasonably necessary to achieve the purposes of the act.
- Improve land and construct, reconstruct, rehabilitate and restore, preserve, equip, improve, maintain, repair, and operate any building and any appurtenances thereto, within the downtown district (includes multiple family dwellings) for any public or private person or corporation.
- Fix, charge, collect fees, rents, and charges for the use of any building or property under its control and pledge the fees, rents, etc. for payment of revenue bonds issued by the authority.
- Lease any building or property.
- Accept grants and donations of property.
- Acquire and construct public facilities.

**Leverage:**

The DDA district is permitted to collect tax increment from the County and Community College so the DDA leverages 40% of its total captured taxes for public infrastructure from other than city sources, benefiting the general capital budget of the city.

**Membership:**

The members are appointed by the Mayor with concurrence by City Council.

When creating the Troy Downtown Development Authority, section 7 of Troy's ordinance required the Mayor to appoint the Board of Directors, subject to Council approval. The 13 Member Board of Directors includes the Mayor and twelve other members, each serving a term of four years. A majority of the Directors are required to have an interest in property located in the Downtown District.

In addition, if the DDA District has 100 or more residents in it, then at least one of the 13 Directors shall be a resident of the DDA district. If and when residences are constructed in the TDAA, then one of the residents would be appointed as a Director of the TDAA, in accordance with the ordinance and also state statute. In addition, the statutory requirement to create a Development Area Citizens Council when there are 100 or more residents in a development area would also need to be satisfied. This Development Area Citizens Council would be a separate entity of up to 9 members who are representative of the development area, and would serve as an advisory body to the City Council and also the TDAA in the adoption of development or tax increment financing plans.

**Budget:**

The DDA budget is approved annually by the City Council.

**Investments:**

		1	2
1994	Somerset North parking deck	\$17.1m	(\$22m)
1994	Big Beaver reconstruction Cunningham to I-75	\$ 3.1m	(\$17 m)
1999	Rochester Road expansion – I-75 to Torpey	\$ 5.6m	(\$18.7 m)
2001	Big Beaver I-75 – Rochester Road	\$14.3m	(\$15.9m)
2002	Troy Community Center	\$13.7m	(\$26.5m)

**MEGA Local Matches:**

2000 Kmart Data Center  
2002 Axel Tech  
2002 HTC Global

Ongoing: Maintenance of Big Beaver Corridor – Cunningham to I-75

1. DDA contribution
2. Total project cost

October 18, 2005

To: John Szerlag, City Manager

From: Brian Murphy, Assistant City Manager/Services *BPM*

RE: Cost for Services, Residential v Commercial

As requested, I compared the cost for providing services in residential districts and commercial districts with similar taxable valuation. Specifically, staff compared the costs for maintaining roads and public safety calls for service. This memorandum concludes with a review of the cost of residential rubbish collection in the residential sections examined.

To account for geographic anomalies, information was collected from two commercial areas (within Section 8 and Section 19), and three residential areas (within Sections 22, 24 and 6).

While the cost to maintain the roads in the commercial areas are more expensive on a lane-mile basis, the number of lane miles is much greater in the residential comparatives. The cost ratio to maintain the residential streets to commercial streets is 2.4:1. Maintenance is defined as road patching/slab replacement, crack sealing, street sweeping and ice and snow control operations.

The public safety call for service records, for calendar year 2003, indicate that the ratio of residential calls for service to calls for service from the commercial districts ran 2.6:1. Breaking down the residential districts, we find:

- Section 24: 34.7 calls per 100 households
- Section 22: 45.5 calls per 100 households
- Section 6: 57.9 calls per 100 households

While rubbish collection is not truly a comparative, as the city does not provide service to the commercial districts, the cost for residential rubbish collection service in:

- Section 24: \$59,353
- Section 22: \$48,372
- Section 6: \$45,592

The review is a snapshot of data within parts of five sections of the City of Troy. Given additional time, additional information could be collected and presented, if directed.

## Mary F Redden

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**From:** John Szerlag  
**Sent:** Friday, October 14, 2005 2:23 PM  
**To:** 'Louise Schilling'  
**Cc:** Douglas J Smith; Brian P Murphy; John M Lamerato; Mary F Redden  
**Subject:** RE: Troy Downtown Development Authority

Hi Louise:

The e-mail below will be part of the Public Hearing packet for the meeting of Oct 24.

Have a nice weekend.

John

-----Original Message-----

**From:** Louise Schilling [mailto:000schilling@ameritech.net]  
**Sent:** Thursday, October 13, 2005 4:55 PM  
**To:** John Szerlag  
**Cc:** Douglas J Smith; Brian P Murphy; John M Lamerato  
**Subject:** Fw: Troy Downtown Development Authority

----- Original Message -----

**From:** "James McIntire" <MCINTJD@kellyservices.com>  
**To:** <000schilling@ameritech.net>  
**Sent:** Thursday, October 13, 2005 3:11 PM  
**Subject:** Troy Downtown Development Authority

> Dear Mayor Schilling:

>

> As you know, Kelly Services' world headquarters is within the boundaries

> of

> the DDA. As the Council reviews the DDA's current boundaries, it would be

> unfortunate if that issue became intertwined with any single proposed

> development. The DDA as a tool is more important than any one project.

>

> As Council conducts its appropriate review, I also hope the issue will not

> become the existence of the DDA itself. The demise of the DDA would raise

> serious legal issues with respect to payments on existing bond, and would

> indeed cost the City revenue that would be lost to the County and the the

> community colleges. But most important, it would deprive the City of an

> extremely effective economic development tool that has demonstrated both

> its utility and value in making and keeping Troy a good place to live and

- > to do business.
- >
- > Even Troy, with all it has to offer, faces increased competition from
- > neighboring municipalities. Especially in today's Michigan economic
- > climate, no jurisdiction can afford to be complacent in the effort to
- > maintain and improve its tax base.
- > Others will be aggressively and creatively making full use of DDA's or
- > tax
- > increment financing. It would be a strategic error with long term
- > consequences if Troy were to unilaterally deprive itself of such a
- > development tool.
- >
- > Thank you for your consideration.
- >
- > Jim McIntire
- > Vice President, Public Affairs
- > Kelly Services, Inc.
- > 248-244-5370
- >
- >