JOINT TROY CITY COUNCIL

AND

DOWNTOWN DEVELOPMENT AUTHORITY

SPECIAL MEETING AGENDA

APRIL 2, 2014
CONVENING AT 6:00 PM

COUNCIL BOARDROOM
TROY CITY HALL

PERMITTED BY RESOLUTION #2014-03-035-J-10

FOR THE PURPOSE OF:
DISCUSSING THE FUTURE ROLE OF THE DDA AND MAINTENANCE OF BOULEVARDS

Submitted By
The City Manager

NOTICE: Persons with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk at (248) 524-3316 or via e-mail at clerk@troymi.gov at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.

500 W. Big Beaver
Troy, MI 48084
(248) 524-3300

The City of Tomorrow... City of Troy ...Today

TO: The Honorable Mayor and City Council
Troy, Michigan

FROM: Brian Kischnick, City Manager

SUBJECT: Background Information and Reports

Ladies and Gentlemen:

This booklet provides a summary of the many reports, communications and recommendations that accompany your agenda. Also included are suggested or requested resolutions and/or ordinances for your consideration and possible adoption.

Supporting materials transmitted with this Agenda have been prepared by department directors and staff members. I am indebted to them for their efforts to provide insight and professional advice for your consideration.

As always, we are happy to provide such added information as your deliberations may require.

Respectfully submitted,

Brian Kischnick, City Manager

TROY CITY COUNCIL

VISION STATEMENT AND GOALS

Adopted: Monday, February 7, 2011

VISION:

To honor the legacy of the past and build a strong, vibrant future and be an attractive place to live, work, and grow a business.

GOALS:

Provide a safe, clean, and livable city

- Practice good stewardship of infrastructure
- Maintain high quality professional community oriented police and fire protection
- Conserve resources in an environmentally responsible manner
- Encourage development toward a walkable, livable community

Provide effective and efficient local government

- Demonstrate excellence in community services
- Maintain fiscally sustainable government
- Attract and support a committed and innovative workforce
- Develop and maintain efficiencies with internal and external partners
- Conduct city business and engage in public policy formation in a clear and transparent manner

Build a sense of community

- Communicate internally and externally in a timely and accurate manner
- Develop platforms for transparent, deliberative and meaningful community conversations
- Involve all stakeholders in communication and engagement activities
- Encourage volunteerism and new methods for community involvement
- Implement the connectedness of community outlines in the Master Plan 2008

Attract and retain business investment

- Clearly articulate an economic development plan
- Create an inclusive, entrepreneurial culture internally and externally
- Clarify, reduce and streamline investment hurdles
- Consistently enhance the synergy between existing businesses and growing economic sectors
- Market the advantages of living and working in Troy through partnerships

2013-2014

TOP 12 STRATEGIES

"STRATEGY IS ABOUT MAKING CHOICES, TRADE-OFFS; IT'S ABOUT DELIBERATELY CHOOSING TO BE DIFFERENT"
- MICHAEL PORTER

City of Troy

1 Attract and retain quality employees
Investigate programs to improve morale

Find a solution to the Downtown Development Authority Bond issue 2

3 Improve public perception of the city
Analyze social media opportunities to connect

Support the Transit Center
Hold promotional events 4

5 Strengthen Police/Fire
Consider putting police officers back in schools

Redevelop Site/Office Space 6

7 Promote Troy
Find a way to convince youth to stay in Troy

Evaluate efficiencies of outsourcing services
consider outsourcing other areas 8

9 Re-evaluate Vision 2020

Improve roads
Examine budget allocation 10

11 Develop 3-Year budget projections

Increase lines of communication with Troy Schools 12

JOINT CITY COUNCIL AND DOWNTOWN DEVELOPMENT AUTHORITY SPECIAL MEETING AGENDA

April 2, 2014 – 6:00 PM
Council Boardroom
City Hall - 500 West Big Beaver
Troy, Michigan 48084
(248) 524-3317

A. CALL TO ORDER:

B. ROLL CALL:

a)

City Council Members	Downtown Development Authority Members
Mayor Dane Slater	Timothy Blair
Jim Campbell	Dennis Bostick
Wade Fleming	David Hay, Vice Chairman
Dave Henderson	Arkan Jonna
Ellen Hodorek	Laurence Keisling
Ed Pennington	Alan Kiriluk, Chairman
Doug Tietz	P. Terry Knight
	Daniel MacLeish
	Albert Papa
	Ward Randol
	Ernest Reschke
	Douglas Schroeder

Suggested Resolution
Resolution #2014-04-
Moved by
Seconded by

RESOLVED, That Troy City Council hereby **EXCUSES** the absence of _________________ at the City Council Joint Special Study Meeting with Downtown Development Authority of Wednesday, April 2, 2014, due to _________________.

Yes:
No:

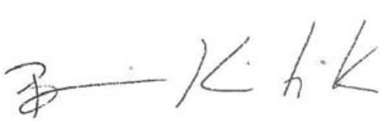
C. DISCUSSION ITEMS:

C-1 Future Role of the DDA and Maintenance of Boulevards

D. PUBLIC COMMENT:

E. ADJOURNMENT:

Respectfully submitted,



Brian Kischnick, City Manager

PUBLIC COMMENT:

In accordance with the Rules of Procedure for the City Council, Article 17 – Members of the Public and Visitors:

Any person not a member of the City Council may address the Council with recognition of the Chair, after clearly stating the nature of his/her inquiry or comment. *City Council requests that if you do have a question or concern, to bring it to the attention of the appropriate department(s) whenever possible. If you feel that the matter has not been resolved satisfactorily, you are encouraged to bring it to the attention of the City Manager, and if still not resolved satisfactorily, to the Mayor and Council.*

- Petitioners shall be given a fifteen (15) minute presentation time that may be extended with the majority consent of City Council.
- Any member of the public, not a petitioner of an item, shall be allowed to speak for up to three (3) minutes to address any Public Hearing item.
- Any Troy resident or Troy business representative, not a petitioner of an item, shall be allowed to speak for up to three (3) minutes total to address Postponed, Regular Business, Consent Agenda or Study items or any other item on the Agenda as permitted under the Open Meetings Act during the *Public Comment for Items On the Agenda from Troy Residents and Businesses* portion of the Agenda.
- Any Troy resident or Troy business representative, not a petitioner of an item, shall be allowed to speak for up to three (3) minutes to address any topic not on the Agenda as permitted under the Open Meetings Act during the *Public Comment for Items Not on the Agenda from Troy Residents and Businesses* portion of the Agenda.
- Any member of the public who is not a Troy resident or Troy business representative shall be allowed to speak for up to three (3) minutes to address any topic on or not on the Agenda as permitted under the Open Meetings Act during the *Comments for Items On or Not On the Agenda from Members of the Public Outside of Troy (Not Residents of Troy and Not From Troy Businesses)* portion of the Agenda.
- All members of the public who wish to address the Council at a meeting shall be allowed to speak only if they have signed up to speak within thirty minutes before or within fifteen minutes after the meeting's start time. Signing up to speak requires each speaker provide his or her name and residency status (Troy resident, non-resident, or Troy business owner). If the speaker is addressing an Item (or Items) that appear on the pre-printed agenda, then the speaker shall also identify each such agenda item number(s) to be addressed.
- City Council may waive the requirements of this section by a majority vote of the City Council members.
- Agenda items that are related to topics where there is significant public input anticipated should initiate the scheduling of a Special meeting for that specific purpose.

The following has been approved by Troy City Council as a statement of the rules of decorum for City Council meetings. The Mayor will also provide a verbal notification of these rules prior to Public Comment:

The audience should be aware that all comments are to be directed to the Council rather than to City Administration or the audience. Anyone who wishes to address the Council is required to sign up to speak within thirty minutes before or within fifteen minutes of the start of the meeting. There are three Public Comment portions of the Agenda. For Items On the Agenda, Troy Residents and Business Owners can sign up to address Postponed, Regular Business, *Consent Agenda, or Study items or any other item on the Agenda. Troy Residents and Business Owners can sign up to address all other topics under Items Not on the Agenda. All Speakers who do not live in Troy or own a Troy business may sign up to speak during the Comments on Items On and Not On the Agenda from Members of the Public Outside of Troy. Also, there is a timer on the City Council table in front of the Mayor that turns yellow when there is one minute of speaker time remaining, and turns red when the speaker's time is up.*

In order to make the meeting more orderly and out of respect, please do not clap during the meeting, and please do not use expletives or make derogatory or disparaging comments about any one person or group. If you do so, then there may be immediate consequences, including having the microphone turned off, being asked to leave the meeting, and/or the deletion of speaker comments for any re-broadcast of the meeting. Speakers should also be careful to avoid saying anything that would subject them to civil liability, such as slander and defamation.

Please avoid these consequences and voluntarily assist us in maintaining the decorum befitting this great City.

FUTURE CITY COUNCIL PUBLIC HEARINGS:

SCHEDULED REGULAR CITY COUNCIL MEETINGS:

April 7, 2014 .... Regular Meeting
April 14, 2014 .... Regular Meeting
May 12, 2014 .... Regular Meeting
May 19, 2014 .... Regular Meeting
June 2, 2014 .... Regular Meeting
June 16, 2014 .... Regular Meeting
July 7, 2014 .... Regular Meeting
July 21, 2014 .... Regular Meeting
August 11, 2014 .... Regular Meeting
August 25, 2014 .... Regular Meeting
September 8, 2014 .... Regular Meeting
September 22, 2014 .... Regular Meeting
October 6, 2014 .... Regular Meeting
October 20, 2014 .... Regular Meeting
November 10, 2014 .... Regular Meeting
November 24, 2014 .... Regular Meeting
December 1, 2014 .... Regular Meeting
December 15, 2014 .... Regular Meeting

SCHEDULED SPECIAL CITY COUNCIL MEETINGS:

April 21, 2014 .... Special Budget Meeting
April 23, 2014 .... Special Budget Meeting

City of Troy

CITY COUNCIL AGENDA ITEM

Date: March 27, 2014

To: Brian Kischnick, City Manager

From: Mark F. Miller, Director of Economic and Community Development

Subject: April 2, 2014 Joint City Council/Downtown Development Authority Meeting

History

1) The economic downturn has had a devastating effect on DDA TIF revenues, which required amendment of the Development Plan to avoid default on bond payments.

2) DDA TIF funds are restricted to bond retirement, maintenance and administrative expenses. Plan amendment does not permit the use of DDA TIF funds for economic development projects.

3) DDA remains the legally established authority as long as the bond obligation remains and the Development Plan is in effect.

Future Role: A Reason to Flourish

1) DDA members are a reservoir of talent.
   a) Can be an effective force in promoting an environment for investment in the DDA area.
   b) The corridor remains the focus of economic activity within the City and the DDA can be more fully integrated in the City's overall planning and economic development strategies.

2) The DDA remains responsible for overseeing bond retirement and providing funding for boulevard maintenance.

Specific Assignments

1) **Maintenance Plan -** Approve a long-term maintenance plan for the boulevard which incorporates sustainable and cost-effective principles. Items to be considered would include:
   a) Stabilize and provide moderate enhancement of landscaping.
   b) Cost containment.
   c) Use of General Funds with a payback strategy from DDA.

2) **Signature Projects -** A number of important objectives identified by Big Beaver Corridor Study have yet to be achieved. Charging the DDA with the responsibility of identifying and assisting in the implementation of the signature improvements would be o f significant benefit, along with any new ideas that have come to light.
   a) Signature projects could involve:
      - Improving pedestrian access under I-75 bridge.
      - Big Beaver road surface improvements.
      - I-75/Big Beaver interchange improvements.
      - Improve pedestrian access and crossings throughout corridor (both along and across the boulevard).
      - Shuttle/trolley service.
   b) Prepare a 5-year Action Plan with funding sources identified. New sources of funding can involve contributions, Brownfield Redevelopment Authority, grants, public/private partnerships (e.g. PIFF), and (limited) City capital funds.

Over the past years City Administration and Planning Consultant, Richard Carlisle have worked with the DDA to develop the Big Beaver Corridor Study, DDA Investment Strategy, Big Beaver Design Guidelines, Master Plan and Zoning Ordinance (Big Beaver District). Mr. Carlisle will be at the meeting to provide background information as needed.

Kurt Bovensiep, Superintendent of Parks, Streets and Drains and Tim Richnak, Public Works Director will be present. Mr. Bovensiep will present the future level of services proposal for the Big Beaver Corridor. A draft DDA budget will also be available for information.

Attachments:
1. Future Level of Service PowerPoint
2. Draft DDA Budget
3. DDA Investment Strategy 2008
4. Benefits Analysis for Enhancement of the DDA Area, 2007
5. Private Investment Infrastructure Funding Act (PIIF)

Future Level of Service for the Big Beaver Corridor

April 2, 2014

Projected Tax Capture to Debt Schedule

	Total Taxable Value	Captured Taxable Value	Captured Tax Revenues (16.7305 mills)	Principal	Interest	Total Debt Service	Net
2014/2015	380,857,480	71,665,210	**1,198,995**	260,000	698,563	**958,563**	**240,432**
2015/2016	377,102,626	67,910,356	**1,136,174**	260,000	690,763	**950,763**	**185,411**
2016/2017	378,131,384	68,939,114	**1,153,386**	260,000	681,663	**941,663**	**211,723**
2017/2018	381,917,773	72,725,503	**1,216,734**	260,000	671,263	**931,263**	**285,471**
2018/2019	385,742,287	76,550,017	**1,280,720**	260,000	663,463	**923,463**	**357,257**
2019/2020 *	389,599,710	80,407,440	**1,345,257**	260,000	654,363	**914,363**	**430,894**
2020/20201	393,495,707	84,303,437	**1,410,439**	375,000	638,488	**1,013,488**	**396,951**
2021/2022	397,430,664	88,238,394	**1,476,272**	440,000	618,113	**1,058,113**	**418,159**
2022/2023	401,404,971	92,212,701	**1,542,765**	500,000	594,613	**1,094,613**	**448,152**
2023/2024	405,419,020	96,226,750	**1,609,922**	600,000	567,113	**1,167,113**	**442,809**
2024/2025 **	413,527,401	104,335,131	**1,745,579**	745,000	537,213	**1,282,213**	**463,366**
2025/2026	421,797,949	112,605,679	**1,883,949**	900,000	499,813	**1,399,813**	**484,136**
2026/2027	430,233,908	121,041,638	**2,025,087**	975,000	452,938	**1,427,938**	**597,149**
2027/2028	438,838,586	129,646,316	**2,169,048**	1,250,000	403,563	**1,653,563**	**515,485**
2028/2029	477,615,358	138,423,088	**2,315,887**	1,250,000	352,781	**1,602,781**	**713,106**
2029/2030	456,567,665	147,375,395	**2,465,664**	1,250,000	294,188	**1,544,188**	**921,476**
2030/2031	465,699,018	156,506,748	**2,618,436**	1,275,000	227,906	**1,502,906**	**1,115,530**
2031/2032	475,012,998	165,820,728	**2,774,264**	1,275,000	160,969	**1,435,969**	**1,338,295**
2032/2033	484,513,258	175,320,988	**2,933,208**	1,275,000	94,031	**1,369,031**	**1,564,177**
2033/2034	494,203,524	185,011,254	**3,095,331**	1,275,000	30,281	**1,305,281**	**1,790,050**

* = 1% Increase

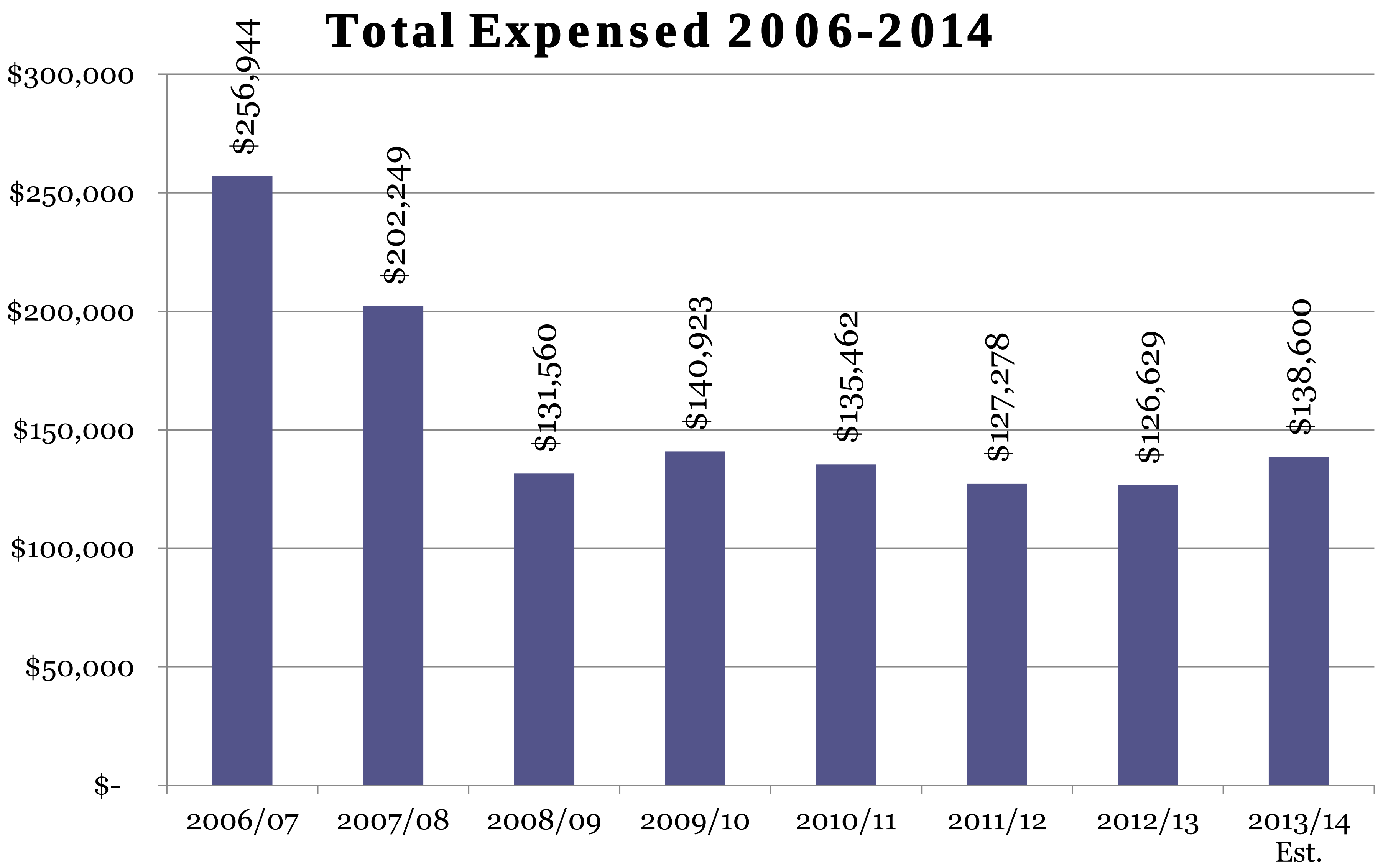
** = 2% Increase

Traditionally Offered Maintenance Services

- Mowing
- Edging
- String Trimming
- Fertilization
- Shrub Maintenance
- Pest Management
- Mulching
- Annual Flower Installation and Maintenance

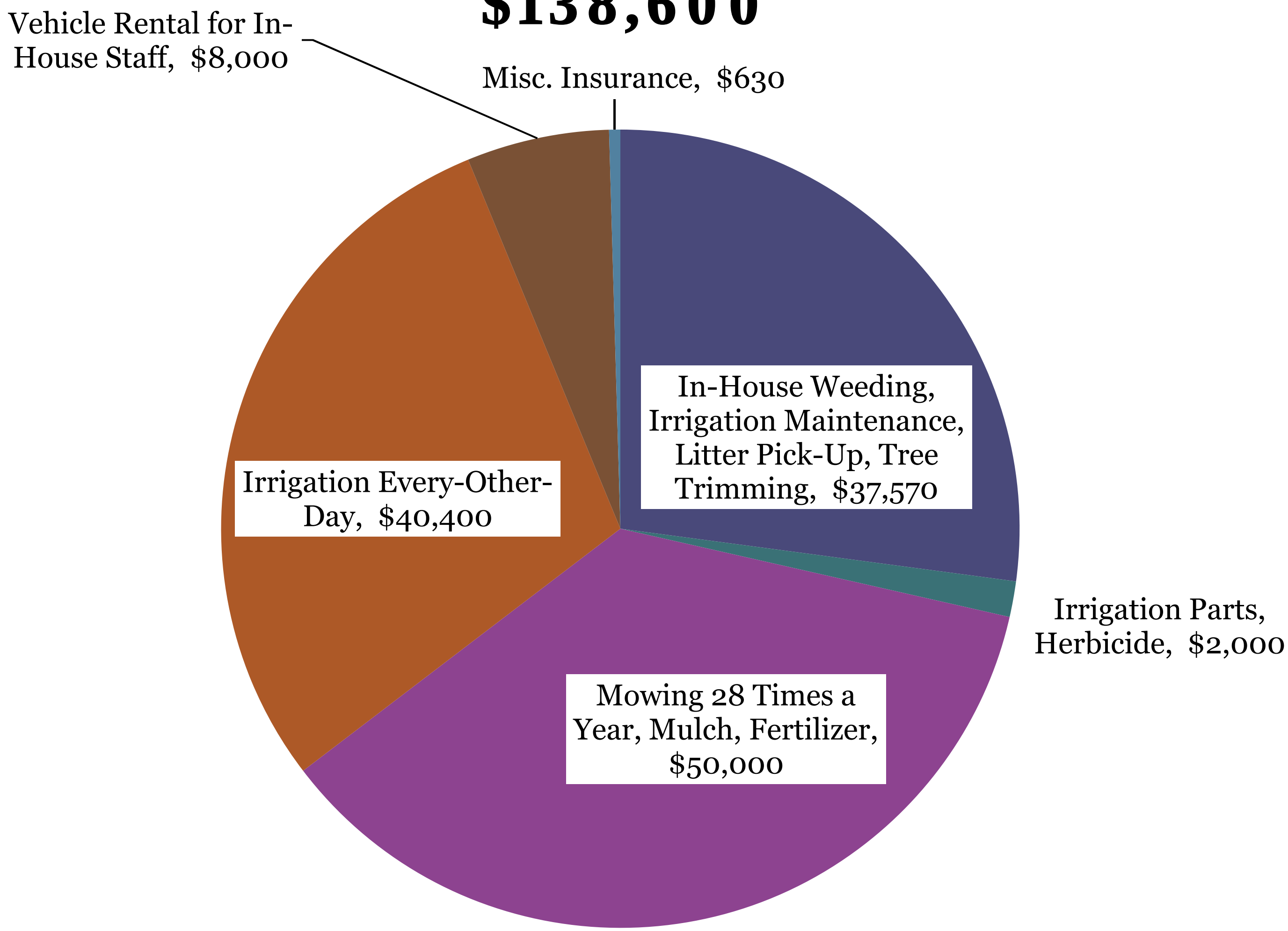
Previous Reductions in Service and Maintenance

- Contracts Divided
- Mowing
  - Frequency decreased from 36 mows to 28
- Weeding
  - Seasonal in-house staff
- Irrigation
  - Reduced to every-other-day schedule
- Annual Flowers
  - Changed to perennials
- Snow Removal on Sidewalks
  - Eliminated in 2013
- Seasonal Banners
  - Eliminated



Total Expensed 2006-2014
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
$256,944
$202,249
$131,560
$140,923
$135,462
$127,278
$126,629
$138,600
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14 Est.

2013/14 Estimate $138,600



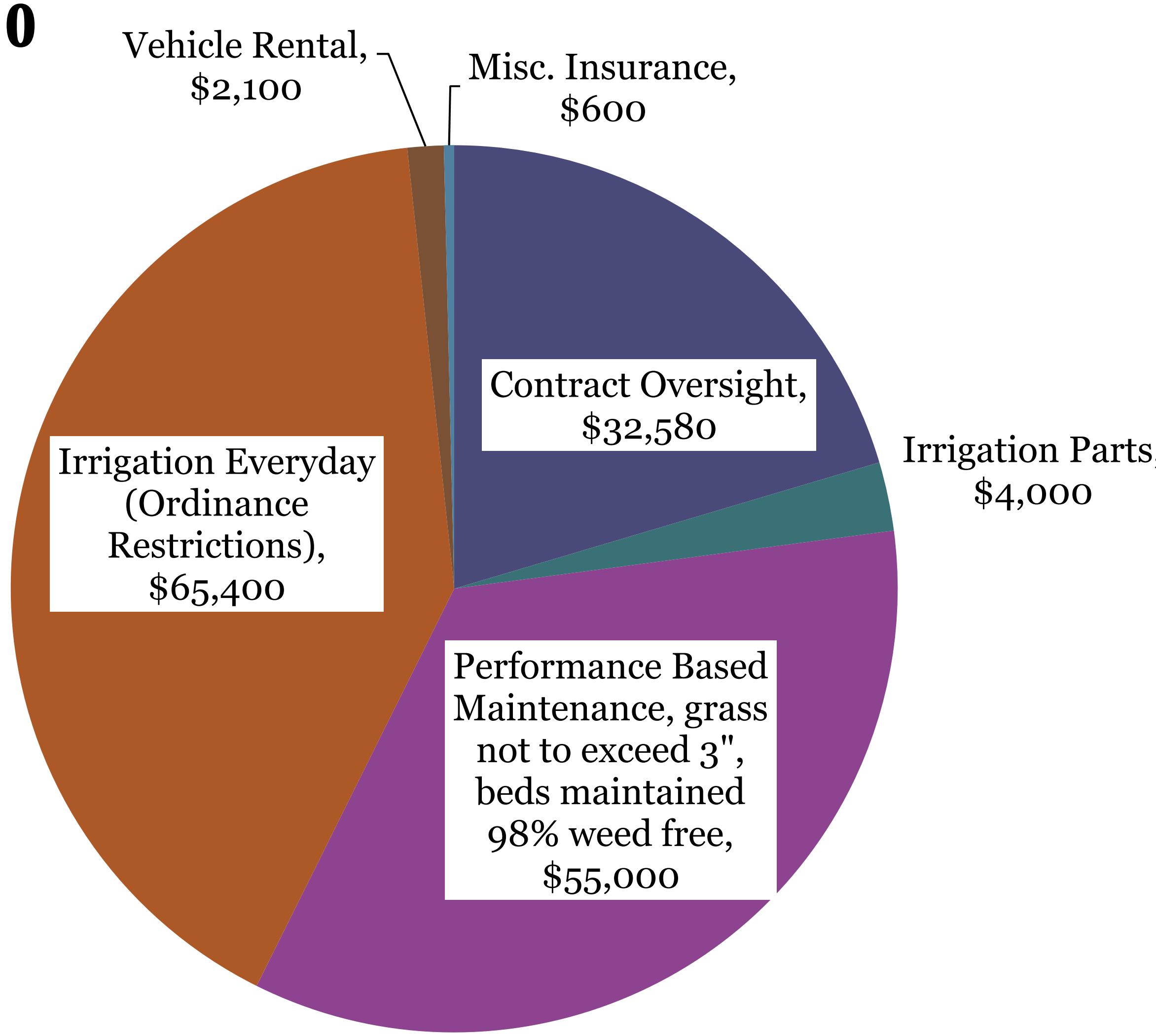
Proposed Maintenance

- Performance Based Contract
  - Bids received at $55,000 annually
- Irrigation
  - Increase to every day
    - Estimated $65,000 annually
- Weeding
  - Include in contract to be maintained at 98% weed free
- Street Sign Maintenance
  - Provide an elevated street sign post
    - Cost will vary depending on post

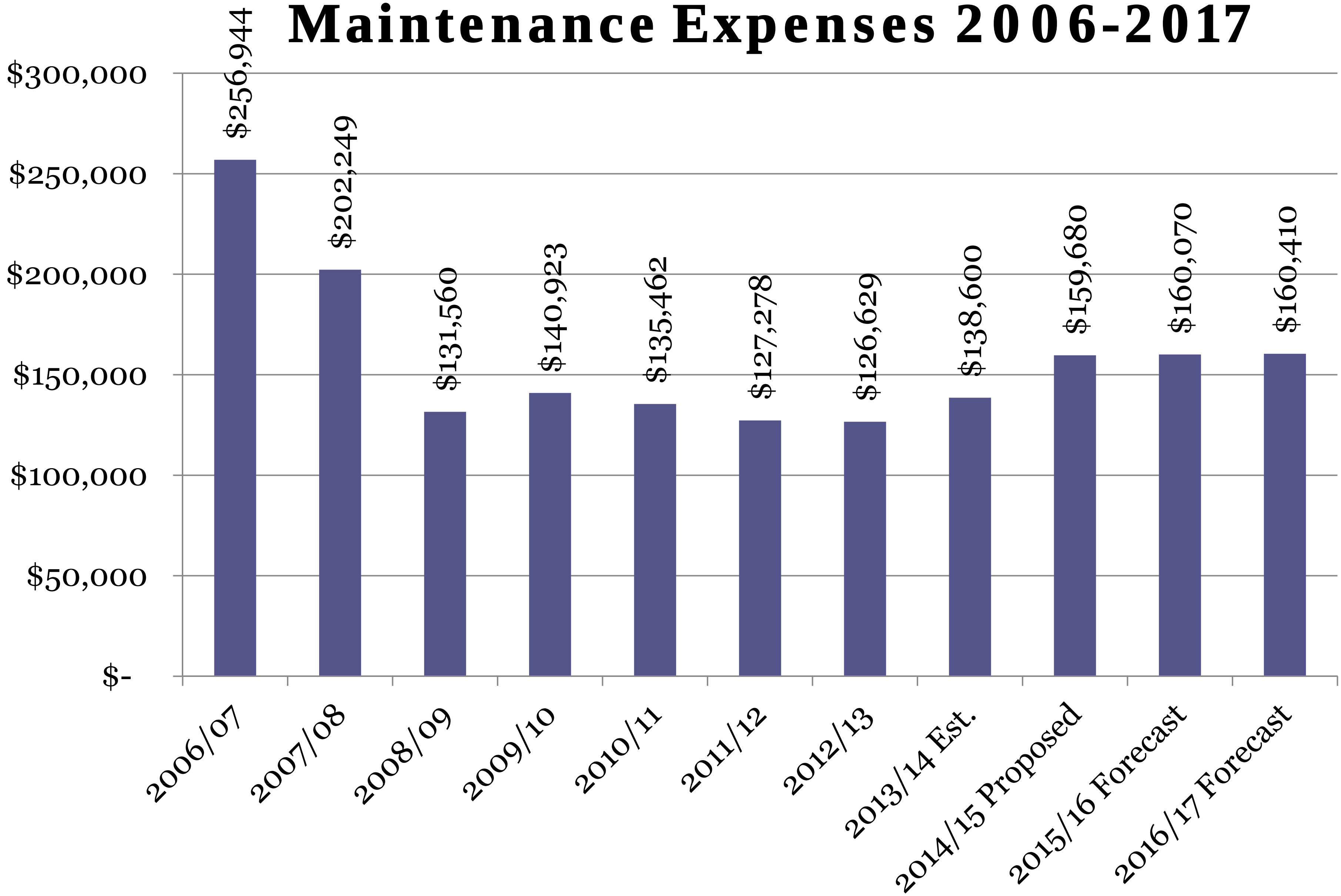
Future Considerations

- Updating Landscaping
  - Perennials have exceeding their life expectancy
    - Spirea, Hostas, Day Lily, Walkers, Low Grow Sumac, Sage
  - Analysis, design, and plan
    - Estimated cost $25,000
  - Reconstruction
    - Estimated cost $80,000
  - Reinstitute the seasonal banners
    - Estimated cost $25,000 annually

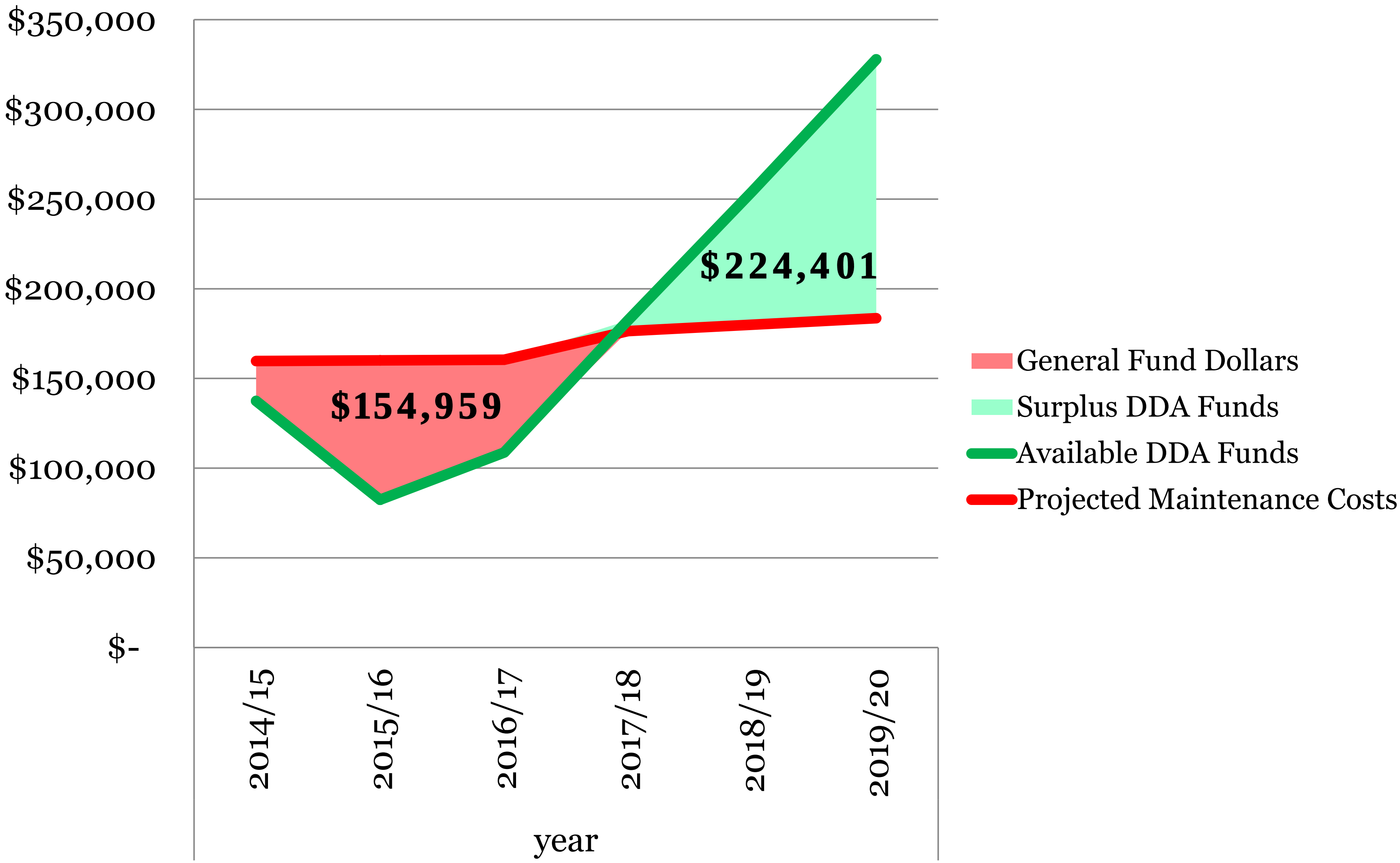
2014/15 Proposed
$159,680



Maintenance Expenses 2006-2017



DDA Maintenance Cost vs. Available Funding



2014/15 through 2016/17 Budget

	2013 Actual	2014 Estimated	2014 Budget	2015 Budget	2016 Budget	2017 Budget
REVENUE						
Property Taxes	$ 320,854	$ 216,067	$ 216,040	$ 1,199,000	$ 1,136,100	$1,153,300
City Contribution		-	120,200	-		
Interest Income	3,823	300	6,000	-	-	-
Total Revenues	**324,677**	**216,367**	**342,240**	**1,199,000**	**1,136,100**	**1,153,300**
EXPENDITURES						
Administrative Expenses	-	-	-	-	-	-
Audit Fees	3,070	3,070	3,070	3,070	3,070	3,070
Tax Tribunals	397,754	80,000	106,193	100,000	100,000	100,000
Street Island Maintenance	60,872	131,798	-	136,367	81,267	107,567
Debt Service-Prior Issues	3,267,357	-	3,262,870	-	-	-
Debt Service-Series 2013	-	411,721	-	958,563	950,763	941,663
Other expenditures	1,152	1,500	-	1,000	1,000	1,000
TOTAL - EXPENDITURES	**3,730,205**	**628,089**	**3,372,133**	**1,199,000**	**1,136,100**	**1,153,300**
Change Before Other Financing	**(3,405,528)**	**(411,722)**	**(3,029,893)**	**-**	**-**	**-**
OTHER FINANCING SOURCES (USES)						
Bond Proceeds from General Fund		15,438,088	-	-	-	-
Payments to Escrow Agent	-	(17,866,244)	-	-	-	-
Total Financing Sources (Uses)	**-**	**(2,428,156)**	**-**	**-**	**-**	**-**
SURPLUS (USE) OF FUND BALANCE	**(3,405,528)**	**(2,839,878)**	**(3,029,893)**	**-**	**-**	**-**
BEGINNING FUND BALANCE	6,245,406	2,839,878	3,029,893	-	-	-
ENDING FUND BALANCE	**$ 2,839,878**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Captured Taxable Value

	2014/15 Taxable	2015/16 Taxable	2016/17 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	$ 244,924,440	$ 244,924,440	$ 244,924,440
Real Taxable Value	277,809,450	275,054,900	275,068,537
Real Captured Value	**32,885,010**	**30,130,460**	**30,144,097**
Personal Base Taxable Value (1193 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	103,048,030	102,047,726	103,062,847
Personal Captured Value	**38,780,200**	**37,779,896**	**38,795,017**
Total Captured Value	**$ 71,665,210**	**$67,910,356**	**$68,939,114**

	Oakland County	Oakland Comm. College	City of Troy	Total
Millage Rates	4.65	1.58	10.5	16.73

Brian/Mark

Attached is a draft of the TDDA budget. A couple of items to note:

1. Looks like there will be approximately $131,798 of funds available in the 2014 estimated to reimburse the general fund for TDDA island maintenance. General Fund estimated 2014TDDA island maintenance is 136,800.

2. My scheule of captured revenues is slightly different than Nino's due to the millage factor. I am using 16.73 mills which reflects the decrease in the refuse millage. Nino's projections use 16.75 mills.

3. All years are budgeted to 0 fund balance. Any surpluses were used in the Street Island Maintenance line item.

Downtown Development Authority

County of Oakland, State of Michigan

2014/15 through 2016/17 Budget

Introduction

In order to prevent further deterioration and to encourage economic development of the Downtown District, the City of Troy established the Downtown Development Authority of the City of Troy (the TDDA) pursuant to Act 197 of 1975 (Act 197) and an ordinance adopted by the City Council of the City of Troy on July 12, 1993 and amended on September 28, 1998, February 7, 2000, August 5, 2002, December 16, 2002, June 4, 2007 and October 7, 2013.

The TDDA has identified specific sources of funding to finance the implementation of a plan for physical improvements to the Downtown District identified in this plan as the Development Area.

The purpose of the Tax Increment Financing and Development Plan is to provide for the construction and financing of the necessary streets, sidewalks, street lighting, landscaping, parking garage and other facilities, Kmart and Civic Center projects, widening of Rochester and Big Beaver roads to improve traffic flow; provide and expand existing public facilities on the civic center site to serve the needs of the TDDA businesses and the citizens of the City of Troy; to fund improvements contained in the Big Beaver Corridor Study and to carry out the objectives of the TDDA so as to prevent the further deterioration of the Downtown Development Area while preserving and promoting economic growth for the benefit of all taxing units located within and benefited by the Troy Downtown Development Authority.

Downtown Development Authority

County of Oakland, State of Michigan

2014/15 through 2016/17 Budget

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BEGINNING FUND BALANCE	6,245,406	2,839,878	3,029,893	-	-	-
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Downtown Development Authority

County of Oakland, State of Michigan

Projected Tax Capture to Debt Schedule

Year	Revenues: Total Taxable Value	Revenues: Captured Taxable Value	Revenues: Captured Tax Revenues (16.7305 mills)	Debt Service - Series 2013: Principal	Debt Service - Series 2013: Interest	Debt Service - Series 2013: Total Debt Service	Net
2014/2015	380,857,480	71,665,210	**1,198,995**	260,000	698,563	**958,563**	**240,432**
2015/2016	377,102,626	67,910,356	**1,136,174**	260,000	690,763	**950,763**	**185,411**
2016/2017	378,131,384	68,939,114	**1,153,386**	260,000	681,663	**941,663**	**211,723**
2017/2018	381,917,773	72,725,503	**1,216,734**	260,000	671,263	**931,263**	**285,471**
2018/2019	385,742,287	76,550,017	**1,280,720**	260,000	663,463	**923,463**	**357,257**
2019/2020 *	389,599,710	80,407,440	**1,345,257**	260,000	654,363	**914,363**	**430,894**
2020/20201	393,495,707	84,303,437	**1,410,439**	375,000	638,488	**1,013,488**	**396,951**
2021/2022	397,430,664	88,238,394	**1,476,272**	440,000	618,113	**1,058,113**	**418,159**
2022/2023	401,404,971	92,212,701	**1,542,765**	500,000	594,613	**1,094,613**	**448,152**
2023/2024	405,419,020	96,226,750	**1,609,922**	600,000	567,113	**1,167,113**	**442,809**
2024/2025 **	413,527,401	104,335,131	**1,745,579**	745,000	537,213	**1,282,213**	**463,366**
2025/2026	421,797,949	112,605,679	**1,883,949**	900,000	499,813	**1,399,813**	**484,136**
2026/2027	430,233,908	121,041,638	**2,025,087**	975,000	452,938	**1,427,938**	**597,149**
2027/2028	438,838,586	129,646,316	**2,169,048**	1,250,000	403,563	**1,653,563**	**515,485**
2028/2029	477,615,358	138,423,088	**2,315,887**	1,250,000	352,781	**1,602,781**	**713,106**
2029/2030	456,567,665	147,375,395	**2,465,664**	1,250,000	294,188	**1,544,188**	**921,476**
2030/2031	465,699,018	156,506,748	**2,618,436**	1,275,000	227,906	**1,502,906**	**1,115,530**
2031/2032	475,012,998	165,820,728	**2,774,264**	1,275,000	160,969	**1,435,969**	**1,338,295**
2032/2033	484,513,258	175,320,988	**2,933,208**	1,275,000	94,031	**1,369,031**	**1,564,177**
2033/2034	494,203,524	185,011,254	**3,095,331**	1,275,000	30,281	**1,305,281**	**1,790,050**

* = 1% Increase
** = 2% Increase

TAX INCREMENT PROCEDURE

Tax increment revenue to be transmitted to the TDDA is generated when the current taxable value of all properties within a development area exceeds the initial assessed value of the properties. The initial assessed value is defined in Act 197 as the assessed value of all taxable property within the boundaries of the development area at the time the ordinance establishing the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality for which equalization has been completed at the time the ordinance is adopted. The current assessed value refers to the assessed value of all properties, real and personal, within the development area as established each year subsequent to the adoption of the tax increment financing plan. The amount in any one year by which the current taxable value exceeds the initial assessed value, including real and personal property, is defined as the "captured taxable value". The tax increment revenue transmitted to the TDDA relusts from applying the total tax levy of taxing units within the development area to the captured taxable value.

Inreases in assessed values within a development area which result in the generation of tax increment revenues, can result from any of the following:

a. Construction of the new development occurring after the date establishing the "initial assessed value".

b. Construction of new rehabilitation, remodeling alterations, or additions accruing after the date establishing the "initial assessed value".

c. Increases in property values which occur for any other reason.

Tax increment revenues transmitted to the TDDA can be pledged for debt service on general obligation tax increment bonds issued by the municipality or tax increment revenue bonds issued by the TDDA.

If bonds are to be sold, the municipality may not pledge for annual debt service requirements in excess of 80% of the estimated tax increment revenue to be received from a development area for that year. In addition, the estimated annual debt service owed on bonds issued by the municipality may not exceed 80% of the estimated annual tax increment revenues. Should actual tax increment revenues fall below projections, any previously accumulated revenue would be devoted to retirement of the bonds. Any tax increment revenues collected in excess of the 80% measure described in Table 2 of the Development Plan will be used to pay current debt service on any bonds issued under the Plan. The bonds are subject to the Michigan Municipal Finance Act and may not mature in more than thirty years.

The TDDA may expend tax increment revenues only in accordance with the tax increment financing plan; surplus revenues revert proportionally to the prospective taxing jurisdictions. The tax increment financing plan may be modified upon approval of the governing body after notificaiton and hearings as required by Act 197. When the governing body finds that the purposes for which the plan was established have been accomplished, they may abolish the plan.

TROY DOWNTOWN DEVELOPMENT AUTHORITY

INVESTMENT STRATEGY

Draft Report
February, 2008

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Part I: The Investment Opportunity

It is both timely and critical for the Troy Downtown Development Authority to consider developing a Strategic Investment Strategy. The targeted input of public dollars is essential to stimulating the kind of economic activity within the DDA as embodied in the Big Beaver Corridor Plan.

In order to remain competitive and maintain its leading role in economic development, Troy has recognized that its approach to the Big Beaver corridor needs to evolve in light of the changing economy. While the Corridor Plan puts forth an aggressive vision for Big Beaver to become a world-class environment, the vision will not become a reality without significant public and private investment. This report represents an ongoing effort by the DDA, including a half-day workshop on January 16, to identify the programs that will effectively implement the Big Beaver Corridor Plan.

Role of the DDA

The Downtown Development Authority Act, PA 197 of 1975 as amended, gives broad authority to communities to establish a DDA to plan for, promote and implement economic development within a designated downtown district. Currently before the DDA is the challenge of exercising its full authority to the maximum benefit of both the community and the district. Act 197 categorizes DDA responsibilities into two broad categories.

Planning and Promotion

- Conduct studies and analyses on economic and market conditions
- Develop long-range plans, in conjunction with the Planning Department and Commission, that address economic growth (and take such steps as necessary to persuade property owners to implement said plans)
- Create, operate and fund marketing that benefits only retail and general marketing of the district

Implementation

- Plan and propose construction/renovation of a public facility, an existing building or multi-family dwelling
- Plan, propose and implement improvement of public facilities to accomodate barrier-free design
- Implement *any* plan of development in district necessary to achieve overall purpose of act
- Acquire (by purchase or otherwise) and/or dispose of real or personal property...or rights or interest to property
- Improve property
- Lease and collect rent on property owned by DDA Contract for broadband and wireless technology service in district

Tax Increment Financing

The chief means of funding DDA activities is through tax increment financing. When a DDA adopts a tax increment financing plan, funds must be spent within the designated district.

Currently, the DDA has a fund balance of approximately 10.2 million dollars. Further, tax increment financing is currently generating approximately 3 million dollars per year.

Big Beaver Corridor Study

The Big Beaver Road Corridor provides the first impression many people have of Troy. The high-rise buildings, Somerset Collection, and its immediate proximity to I-75 are frequently the main elements visitors remember about the Corridor and the City. This Corridor Study involves an intense analysis of the existing and potential characteristics of the Big Beaver Corridor, much of which is contained within the Downtown Development Authority.

With this need in mind, the Troy City Council and the Downtown Development Authority adopted the key concepts of the Big Beaver Corridor Study in 2006. As the DDA continues to develop investment priorities, reference to key concepts and strategies of the Corridor Plan will aid in bringing about consistency in action.

GATEWAYS, DISTRICTS AND TRANSITIONS - organize and contain the Boulevard as a distinct place

- Sensitivity and buffering to existing residential at edges
- Linear parks and landscape buffers as transition
- Variations in building height (massing) from the boulevard to the north and south edges of the Corridor.
- Variations in urban form along the Corridor, from district to district.

TREES AND LANDSCAPE AS "CEILINGS AND WALLS" - plantings symbolize and encapsulate the Boulevard experience

- Boulevard landscaping
- Forested portals
- Linear parks
- Pocket parks
- Large public squares

WALKING BECOMES ENTERTAINMENT - Much to observe and engage in

- Sidewalk as gathering place and public space
- Pulses of activity along the boulevard
- Storefronts and streetscape that engage and attract pedestrians
- Iconic pedestrian bridges

MIXING THE USES TURNS ON THE LIGHTS - the energetic dynamic of Mixed Uses with a focus on residential

- Infusion of residential units to create lively, vibrant new neighborhoods
- Diverse housing stock with a variety of price points
- Linkages to restaurants, retail, parks, and places of employment

THE AUTOMOBILE AND PARKING ARE NO LONGER #1 - important components but do not dominate the experience

- Variety of transportation choices including transit, bicycle, pedestrian, and motor vehicle
- Ride sharing and transit incentive programs
- Access management and transportation demand management to improve capacity without widening Big Beaver
- Grid street pattern in urban core to disperse traffic

- Public parking decks, placed along parallel collector and local streets to relieve Big Beaver traffic
- Service lanes with parallel parking in urban core

CIVIC ART AS THE WISE SAGE OF THE BOULEVARD - telling stories, creating memories, making us smile and informing us along the way

- Civic art at Corridor gateways
- Public art at pulse points and in public squares
- Sleek and elegant street furniture
- Iconic footbridges
- Bold design of farmer's market structure

Based on it the analysis of existing conditions with the Big Beaver Corridor, the project team made a wide range of design recommendations aimed at making Big Beaver Road a "world class corridor." Building height, location, pedestrian amenities, access management, landscaping, and many other aspects of urban design were considered in the Study, along with the changing needs of the City of Troy.

Other Supportive Studies

As a supplement to the Big Beaver Corridor Plan, the DDA retained The Chesapeake Group, Inc. (TCG) to prepare an analysis of the direct and indirect benefits of public investment in the Corridor. The report documents those benefits that would occur under a scenario of build-out and also under a scenario of less than full build-out.

The TCG report estimates significant benefits would accrue to the City, particularly under a full build-out scenario, in the following areas:

- Increases in employment
- Property valuation changes and property taxes that accrue at the local level
- Retail sales and retail sale tax accruals
- Other taxes that accrue as a result of expanded activity

The DDA is encouraged to refer to the CPG report as it moves forward. Of particular use are case studies of success stories from elsewhere in Michigan and throughout the country.

Part II: The Investment Strategy

Economic development organizations throughout the State and country have a varied emphasis on the thrust of their activities. The CPG report, as well as supplemental examples provided by CWA, demonstrate that the efforts to stimulate development and redevelopment can be creative and wide-ranging, as well as very specific and targeted. The challenge to the DDA will be providing

The CPG report cites three compelling reasons why the public sector makes "catalytic" investment in projects. These are:

- To share or mitigate private risk
- To provide an incentive in an area that has lost its competition advantages, or faces new hurdles
- To mitigate costs so that the investment is competitive with other investment options

Formulating the Investment Strategy

At a workshop held on January 16, 2008, DDA members were facilitated through an investment strategy exercise. A series of questions were posed that prompted written responses from DDA members. Following clarification and discussion, DDA members voted on those strategies which rated the highest priority. The list of strategies and the votes received are included in Appendix I.

Based on the findings of the January 16, 2008 workshop, the Troy DDA identified priority investment strategies. Only those strategies that garnered three (3) or more votes were selected.

Creating an Investment Environment

In the first instance, the perception of a private investor of a favorable development climate is very important. The DDA can play an integral role in advancing both philosophies and policies that will influence private investment decisions. More specifically, the DDA can play an active role in promoting Troy and the Big Beaver corridor as a significant development opportunity.

The DDA identified the following strategies:

1. The DDA shall be a proactive catalyst for investment and create a vibrant economic development market that supports the Big Beaver Corridor Study
2. Market the Big Beaver Corridor to site selection consultants, brokers, developers and existing businesses
3. Attend national real estate conferences to promote the Big Beaver Corridor as an attractive investment opportunity
4. Extend the time frame of the DDA
5. Encourage the City to streamline the permitting process at all levels
6. Encourage the City to adopt a more flexible approach to zoning of the Big Beaver Corridor

Stimulating the Investment Environment

A common method of local economic development is to stimulate investment activity through improvements to the physical environment. In simple terms, an area that both looks and functions better will have an advantage to attract investment over less desirable areas. By improving streetscaping, creating dramatic entryways, upgrading utilities, and enhancing the street and pedestrian network, the DDA can indirectly benefit private investment decisions.

The DDA identified the following strategies:

1. Construct gateway upgrades as places of arrival at Big Beaver and I-75, Rochester Road and Livernois

2. Focus physical improvements in the Troy City Center area

Partnering in the Investment Environment

Frequently, economic development organizations more directly invest in private development activities. Such activities may include optioning land, providing low cost loans, and providing direct grants.

The DDA has identified the following partnering activities:

1. Option and/or assemble properties deemed essential to advance concepts of the Big Beaver Corridor Plan

2. Consider funding of soft and hard costs that would otherwise preclude developments from meeting the vision of the Big Beaver Corridor Plan

3. Establish a facade improvement program with existing businesses

APPENDIX I

DDA Investment Strategies

January 16, 2008

QUESTION 1 What role should the DDA play in creating an investment environment?

(5 votes) Proactive/catalyst for investment and creating a vibrant E.D. market that supports the BB corridor study

(4 votes) Market to site selection, consultants, brokers (benefits/opportunities)

(2 votes) Strictly focus on activities that will directly impact CAV

(1 vote) Engage potential investors proactively and aggressively (like GR)

(1 vote) Encourage development on BBC – have someone designated to promote businesses to come to BBC & spearhead that person/entity in the right direction & follow up

Create a perception that is reality

Respond to legislative change

Continually meet with business owners to create an avenue for exchange of ideas

Be the catalyst and advocate on the future investment "guidelines" on BB

Active roll – START NOW

Measure, monitor and manage the DDA's financial resources

ID best practices throughout state & SE Michigan region

Guiding city (leaders) on best way to create image, stay on message & be agile/responsive to market

Set vision (create a place to be) support & encourage investment

Act as a quasi-planning commission – new ideas, different business plans review which may be non-conforming to a particular zone (form zoning)

QUESTION 2 What projects and activities will be most successful for the DDA to pursue to stimulate the investment environment?

(5 votes) Marketing strategy that discuss Troy BBS, work w/developers, existing business, attend R/E conference in L.V.

(3 votes) Property Assembly/Acquisition for high priority projects & opportunities

(2 votes) Ensure the BB plan aligns with city plans and ordinances (master plan, zoning, thoroughfare, etc.) and continually communicate with council and residents on progress on BB

(1 vote) Consider "Investor Dialogue" sessions, pay brokerage fees /enhance deals $

(1 vote) Look at infrastructure needs of the New Economy (e.g. hybrid plugs, fueling stations, wireless, GPS, Internet2, etc) and provide them

Marketing effort to promote businesses, etc. to move to Troy's BBC

Consider the "D" brand

Differentiate Troy in marketplace (sense of place, buzz, excitement)

Gateways, pilot service lane, new park (image)

Help property owners, especially office developers, to build on * the street by increasing densities & giving find/aid for parking

Transit

Trees – starting planting now – tree farm

Lighting

People – mix use zoning

? on parking quotas – if bas:is thriving and no more spaces available, people will walk

Have a plan for public benefit improvements

QUESTION 3 How should the DDA partner in the investment environment?

(5 votes) Grants/loans

Option/sell combined sites/dev & infras.

Fund soft & hard costs that preclude developments from meeting our image/vision

(4 votes) ID programs to support:

1. Existing business – façade improvement program

2. New business

3. Leverage other funds

(2 votes) Work effectively with stakeholders (property owners, council, administration, residents) to promote quality investment and remove roadblocks to investment

Create & communicate confidence in the Troy market as a quality place to invest

Streamline permit process to speed additions to the tax rolls

"We will find a place for you – we are the Can Do City (corridor) we will find a place for you. We never say no."

Streetscape incentive

Measure demand for the tools/programs (e.g. façade improvements, etc.) and consider financial support for areas of highest need

Hold meetings with businesses, residences, etc. to communicate what Big Beaver has to offer

Option land for service drives

Offer financial incentives to develop

QUESTION 4 In terms of creating, stimulating and partnering in the investment environment, in which activity should the DDA concentrate its efforts?

(5 votes) Extend DDA (time)

(4 votes) Facilitate the permitting process ex-R.Oak create an ombudsman to help dev/investors/landlords etc. find their way through the permitting maze – impact this to all the city departments, etc.

(3 votes) Encourage zoning to be very flexible – spirit, not the letter of the law, which is often open to personal interpretation

(2 votes) Focus on existing business retention strategy

(2 votes) Hire an Executive Director (dedicated, FT)

(1 vote) Public/private $ for green & environmental

(1 vote) Must win opportunities that can impact image/brand of Troy, City Center Area!

Facilitate Zoning, P.C. & permits

Advocate for legislative changes @ the state level & new ordinances @ the city level

Seek high quality appts. To the TDDA that can also pose as partners (e.g. utilities, architects, etc.)

Work with threatened investors now (e.g. BofA, Gibbs, etc.)

Brand – everything gets look & feel

Encourage private developers to support/donate art for Big Beaver Road programs, such as Street Art, cows, pig statues, etc.

Assist in coordination with all agencies and organizations that can either speed up or slow down investment, including all city departments, council, RCOC, MDOT, utilities, citizen and neighborhood groups

Entertainment ord.

Music, dancing – Ent. Established

Pedestrian access – Somerset Apts

QUESTION 5 Considering the DDA's financial capacity, where (geographically) would be your priority for investing those resources?

(7 votes) Gateway upgrades I75/BB, BB/RRD, BB corridor options, east of Livernois

(6 votes) City center from Somerset east

Bringing residents into activity

(1 vote) "Service lane" ROW acquisition in the City Center district

(1 vote) Review Chesapeake data and select areas for focus that will most favorably impact CAV

Rehab grants for outdated, worn facilities, etc.

Landscape, etc. improvement incentives for streetscapes

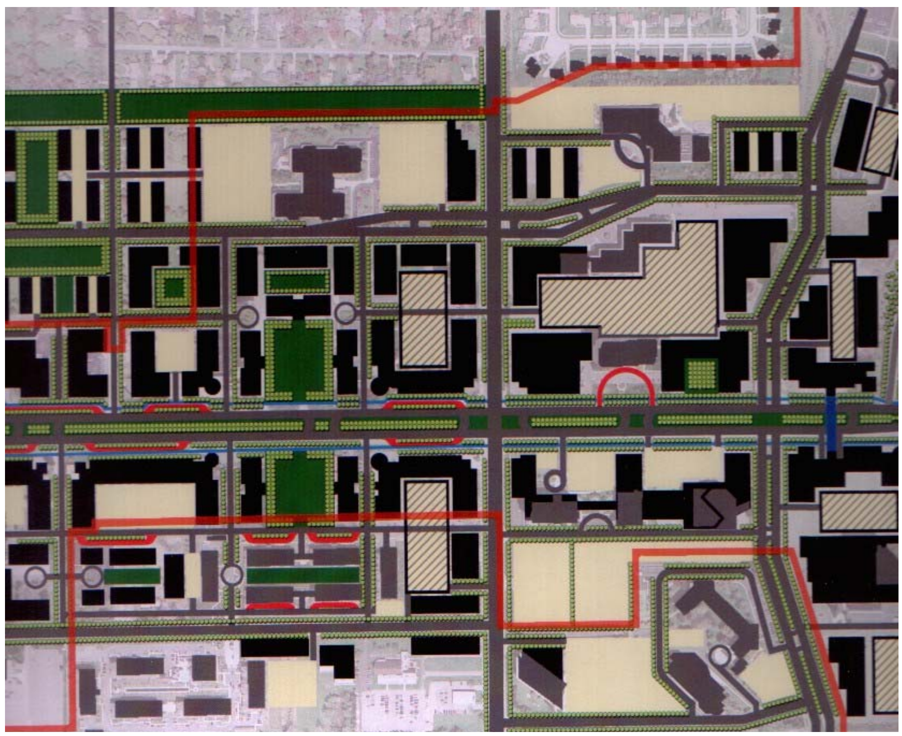
I-75/Big Beaver area

Continue along property adjacent to Somerset since this is the current focal point of Big Beaver

Focus on gateways as a "place of arrival"

ID infra needs for vision – pay for plans & design

The
Chesapeake Group, Inc.
Building A Foundation For The Future
8516 Green Lane Baltimore, Maryland 21244 410-265-1784/(fax)410-521-0480/tcgroup@erols.com



BENEFITS ANALYSIS

FOR ENHANCEMENT OF THE DDA AREA

TROY, MICHIGAN

April, 2007

Introduction

The following analysis was prepared for Troy's Downtown Development Authority by The Chesapeake Group, Inc. The effort entailed defining primary direct and indirect benefits that are likely to accrue as a result of their investment in the redevelopment efforts associated with the Big Beaver Corridor.

The Chesapeake Group (TCG) is a national economic analysis and development consulting firm, headquartered in Baltimore, Maryland. TCG also maintains satellite offices in Florida and Michigan.

Over the past thirty-three years, TCG has been involved with many public and quasi-public sector, not-for-profit and for-profit entities seeking quality analysis that facilitates expansion of commercial services while protecting existing interests, community reinvestment, and economic development plans and programs, and in implementation assistance in numerous communities striving for stabilization, sustainability and economic enhancement. TCG specializes in enhancing established communities through the inclusion of sustainable investment. TCG has performed numerous benefits analysis for public-private projects, ranging from mixed-use efforts like that associated with the Troy redevelopment to public investments in sports complexes and entertainment districts.

TCG has been involved with economic development efforts in Michigan communities over many years as well as much of the rest of the United States. The projects with which TCG has been involved in Michigan are in both larger and smaller communities, including but not limited to:

- Huron County
- Sturgis
- Montague
- Hudsonville
- Fennville
- Boyne City
- Zeeland
- City of Grand Blanc
- Grand Blanc Township
- Delhi Charter Township
- Muskegon County
- Muskegon
- Warren
- Hastings
- Wixom
- Spring Lake
- Manton
- Muskegon Heights
- Norton Shores
- Mackinaw City
- Cadillac
- Detroit
- Branch County
- Port Huron
- Howell
- Grand Rapids

Many of these efforts have involved restructuring and downtown market analyses. Many were performed for the DDA or economic development organization in the community.

Our diversity of client base is an important asset. We understand the needs of governments, downtowns, residents, developers, business organizations, community groups, and small and large business interests since organizations associated with all of these interests are our clients.

Howard Kohn, The Chesapeake Group's Principal Analyst for the Troy benefits analysis, is the President of firm and the former planner and economic analyst for the revitalization efforts in Baltimore, including the Inner Harbor. He is or has been a consultant to the National Trust's Main Street Program, the Ford Foundation, the C. Stewart Mott Foundation, the Johnson Foundation and the MacArthur Foundation; President of the Maryland Downtown Development Association; Co-chair of the Neighborhood Economic Revitalization efforts for the National Center for Urban Ethnic Affairs; etc.

The analysis was prudently undertaken since the type of involvement by the DDA and City in Troy potentially indicated to facilitate reinvestment called for in the "Big Beaver Corridor Study" is potentially larger and somewhat different, although not totally new to Troy or the DDA. On the other hand, such public sector involvement is not new for many jurisdictions in the country.

Originally, most if not all redevelopment efforts in the United States that involved public sector activity in acquisition, financing, or other related aspects of the projects were found in or associated with inner City and central City efforts. However, as suburban areas and cities aged, redevelopment became essential to stimulate reinvestment in other areas as well. As the demand grew for reinvestment, non-central City jurisdictions found the need to stimulate that investment and became involved with the process.

Whether center city or suburban, the reasons are the same for the need for public sector catalytic investment in projects. These are:

- ✓ To share or mitigate private sector risk.
- ✓ To provide an incentive in an area that has lost its competitive advantages or faces new hurdles.
- ✓ To mitigate costs so that the investment is competitive with other investment options.

There is a common theme with most projects that require catalytic public injections. Conditions have evolved over time for which land use impacts perceptions as to future investment and the psychology of an area. Those conditions evolved generally as a result of changed market position, changes in market conditions, and unforeseen events which most often contributed to the need for new investment. The initial risks associated with new types of private reinvestment in an area are then perceived to be beyond a reasonable level, based on the anticipated return by the private investor and developer industry. A "jump start" is required to mitigate the risk and "level the playing field."

There is virtually no better way to mitigate risk than to have the public sector share in that risk or off set the risk. This public sector sharing or mitigation of the risk takes different forms, but includes and is not limited to: long-term leases of substantial portions of projects; bonding and related financial activity that requires a "guarantee" on the money borrowed or the backing of financing by the "full faith and credit" of the government; and direct financial contribution into efforts that help to insure private sector return.

Also shared by efforts that involve catalytic public sector injections is the perception of competitive disadvantage for development dollars. This is virtually always the case with commercial activity and most often the case with housing. It is felt that investment of dollars elsewhere has a greater probability of success, or the costs are lower elsewhere than in the targeted area because: the prospects of market response in those other areas is greater; the acquisition, parking and other infrastructure costs are higher; or the timing is poor relative to development patterns in the targeted established area.

Investors have a choice in making an investment. Returns are achievable in different sets of circumstances, but, in all cases, a certain level of return is desirable. In established areas and communities seeking to reverse current conditions or establish new energy and direction, the costs of making the investment are higher than the costs with a “green field” development. Inherent in investment that is non-“green field” in nature is often demolition of existing buildings and infrastructure and often environmental conditions that need correction, the need for shared parking or structured parking, etc. Marketing costs are often higher as changing the image of an area exceeds those where creation of an image is not impeded by current visual conditions and sometimes “history.”

When the above conditions exist and are dominant considerations to the private sector, public sector catalytic activity and dollars are essential to stimulate private reinvestment. These catalytic public sector investments are essential in what is often termed “but for” circumstances. In other words, private investment would not occur “but for” the public investment.

Examples of Other Efforts

In the following text there are examples of projects that involve financial partnership types of arrangements in stimulating private investment and reinvestment in established generally non-central city jurisdictions. In many of the noted cases, a regional commercial center was involved. Most are in areas outside or at the boundary of a center city. Several are in Michigan. Many more could be identified and detailed. However, the examples provide a range in scale, investment, and “return” (benefits that are both direct and indirect) associated with the efforts. Each would not have happened had the public sector not been involved with the investment.

Troy’s Future Task Force (Wealth Creation Trends) points out that “a community’s asset is its property” which “creates wealth by producing tax revenue.” “Therefore, the long-term goal is to increase the value of all property in Troy.” This position is consistent throughout the country and is evidenced by the fact that when jurisdictions evaluate the effectiveness of revitalization, enhancement, and redevelopment projects the predominant benefit calculated is the increase in the value of the land. Some jurisdictions, such as Minnesota, in fact require a “but for” test in advance of public enhancement efforts that must prove that “the induced development will yield a net increase in the market value for the site.”

Economic benefits derived from successful enhancement projects are not limited to simply increased land value and tax revenues. Additional economic benefits tend to receive less emphasis for a variety of reasons including the fact they are more difficult to quantify. Other economic benefits include but are not limited to:

- Employment opportunities and the creation of earnings.
- The retention and enhancement of economic strength of existing businesses.
- New business locations for entrepreneurs.
- The provision of new housing opportunities, including those addressing localized needs such as workforce housing.
- Relocation assistance for residents and businesses.
- The delivery of modern work and living space to the market.
- Increasing the desirability of the community by improving its attractiveness and functional utility of infrastructure.
- Increases in tax revenues from employment, businesses and consumer spending.
- The retention of revenue for government services through the prevention of leakage of sales to other areas.
- Reduction of budgetary pressure for new government services and infrastructure by reusing in-fill locations. (In-fill development often has significantly lower public cost compared to sprawl or totally new developments.)

The benefits afforded a community through successful enhancement or redevelopment projects should not, however, be measured solely in economic terms. Rather, success can also be measured by the benefits of improving conditions, making an area better for the people and business located there; and improving the overall quality of life within a community. Such benefits can include:

- Improved planning and development through the implementation of growth management strategies.
- The provision of accessible goods and services to the community.
- The remediation environmental problems.
- The removal of impaired properties and the elimination of blight.
- Preservation of historic properties.
- Development or improvement of community facilities such as City Halls, courts, police facilities, libraries, schools, museums, theaters, landscaping, and parks.
- The strengthening of the community's social, cultural, entertainment, educational, recreational, and civic activities.
- Transportation improvements including roads, reduced congestion, better access, public transit, parking, signage, etc.
- Improvements to the safety for residents, businesses, and visitors,
- Pedestrian oriented improvements such as sidewalks, access, and amenities.

The following descriptions of community enhancement projects from around the country help to illustrate both the economic and quality of life benefits which can be derived from redevelopment activities.

Victory Crossing Shopping Center, Portsmouth, Virginia.

✓ Victory Center is a reinvented 500-acre mixed-use development, centrally located within Portsmouth and the Hampton Roads region, at the intersection of Victory Boulevard and I-264. When complete, the project is expected to generate over $800 million in private investment and create over 2,500 jobs. Victory Center is in an Enterprise Zone and HUB Zone and is qualified to receive federal New Markets Tax Credits.

- ✓ This retail center, on the 51-acre former Tower Mall site, is a public-private partnership and is the first major shopping center to be developed in Portsmouth in nearly 20 years. The center opened in mid to late 2002 and is anchored by Lowe's Home Improvement Center and Farm Fresh. The sales totaled over $86 million in 2004. This is a 23% increase over 2003, which was the center's first full year of operation.

- ✓ According to the Portsmouth Department of Economic Development, the City acquired the site (51 acres) through the Housing Authority, formed a public-private partnership, and redeveloped the site into the Victory Crossing Shopping Center. The City put in $10 million and the private sector $50 million. However, the overall project has received other substantial public investment including VDOT's improvements to Victory Boulevard which began in Fall 2005, and was complete in December, 2006, and the Tidewater Community College's Portsmouth Campus.

Grand Rapids, Michigan

- ✓ The Michigan Land Use Institute (January, 2005) reports that "since 1990, private developers and government agencies have invested more than $2 billion to rebuild downtown." During this time Grand Rapids gained 6,000 residents; income tax revenues have more than doubled to $59 million annually; and taxable property values nearly doubled to $8.7 billion.

- ✓ The City's 1993 comprehensive downtown revitalization plan (*Voices & Visions*) made recommendations designed to foster redevelopment and investments. One recommendation calling for a "one-stop shopping" for downtown developers was implemented in 2000 with the establishment of the City's Development Center. The Center is designed for efficient permitting, is housed in a single office, and provides permit applications, building codes and technical information, along with staff assistance for construction projects. In 2003, the City issued more than 1,700 building permits compared to 586 in 1991.

- ✓ The Downtown Development Authority, established in 1979, uses incremental property taxes, along with other funds, to finance public improvements and provide assistance and support to redevelopment projects. The DDA uses tax increment revenues to pay for a variety of activities, including:

  - Property appraisals, title searches, legal services, purchase negotiations, and eminent domain proceedings.
  - Payments for real and personal property acquisitions.
  - Relocation assistance and compensation payments to displaced businesses and individuals.
  - Demolition and clearance of selected properties and buildings.
  - Street vacation and removal work.
  - Street reconstruction and improvement work, including utility relocation and replacement.
  - Engineering, architectural, economic, financial and legal studies, and surveys associated with the identification, design, and development of new or restored commercial office, residential, cultural, open space, street and walkway facilities.

- Acquisition, construction, reconstruction, rehabilitation, restoration and preservation, equipping improvement, maintenance, repair, and operation of buildings and other public facilities, including surface parking lots and public open space facilities, which, in the opinion of the DDA's Board, aid in the economic growth of the downtown district and/or are appropriate to the execution of the Development Plan.
- Public open space improvements, historic street and streetscape work.
- Implementation of various projects within the broad categories identified by *Voices & Visions*.

✓ The City estimates that the DDA has invested roughly $120 million, which has leveraged, directly and indirectly, over $1.9 billion in private and institutional investments in the downtown area. Improvements and community benefits include:

- New office buildings on previous parking and vacant lots.
- Apartments on the upper floors of once vacant warehouses with eating and drinking establishments on the ground floors.
- A new $220 million state-of-the-art convention center.
- The $72 million Van Andel Research Institute.
- A $152 million expansion of Grand Valley State University's downtown campus.
- Spectrum Health's new $137 million cardiac center.
- A $22 million transit center.
- The new $55 million Grand Rapids Art Museum.
- New employment opportunities, including the attraction of Blue Cross Blue Shield of Michigan's regional workforce of 266.
- The Monroe Center, a $15 million street reconstruction project complete with heated sidewalks, a brick street, and a new elliptical park.
- A new $60 million County Courthouse.
- A $4 million renovation to the Police Department facility.
- $150 million worth of improvements for new water and sewer lines, upgraded sewage treatment, and river crossings.
- $560 million investments into new parks, improved sidewalks, better streets, multi-level parking facilities, signs, and street lighting.

Traverse City, Michigan

✓ Traverse City and Grand Traverse County, like a number of other Michigan jurisdictions, have used taxpayer supported Brownfield incentives to catalyze private redevelopment investments. According to the Michigan Land Use Institute, Traverse City had captured $27 million in state Brownfield grants, loans, and tax capture to support roughly $90 million of private investments. as of January, 2006. These redevelopment projects include:

- River's Edge, a $12 million mixed-use project in downtown,
- Harbour View Center, a four-story, $6 million mixed-use project,
- Radio Centre a $9 million retail and office development, and
- The Village at Grand Traverse Commons, an ambitious $100 million plus business and entertainment center at a former state hospital site on the City's west side.

Minneapolis Central Riverfront, Minneapolis, Minnesota

- ✓ Since the 1970's, the City of Minneapolis, along with a variety of public and private sector partners, have been planning and implementing the redevelopment of the Mississippi Riverfront in the City. To date, the public sector investment totals $205 million ($55 million in parks and $105 million in public improvements). A variety of public financial tools have been utilized, including:

  - Tax increment financing for public site acquisition and preparation costs, public improvements, and historic preservation.
  - Revenue bonds for private development costs.
  - Historic investment tax credits for private historic preservation costs.
  - Municipal bonds, regional open space funds, and state and federal funds for park acquisition and development, public improvements including parking facilities, and limited use for development costs.
  - State and metropolitan pollution clean-up funds.

- ✓ Achievements as of 2004 included:

  - Incompatible uses have been replaced. Rail lines have been removed. Bridges, streets, and utilities have been replaced or installed. Parking structures and streetscape improvements have been added. Many sites have required remediation of pollution from previous industrial uses.
  - Substantial portion of Central Riverfront Regional Park have been completed and the Minneapolis Riverfront District offers year-round events, activities, and visitor attractions, such as boat excursions, carriage rides, the River City Trolley, restaurants, year-round indoor ice skating, entertainment, and cultural activities, & the Guthrie Theater complex.
  - Over 60 historic buildings have been rehabilitated for new uses; and interpretive signage has been installed. The Mill City Museum was opened in 2003.
  - Almost 3,200 housing units have been built or are under construction. Hundreds of additional units are in the planning process.
  - In total over $1.2 billion of private funds have been invested generating increased jobs and real estate taxes.

Major Private Investments-Minneapolis Central Riverfront (February, 2004)

Completed Projects	Total Dev. Cost
Winslow House Condominiums	$10,000,000
St. Anthony Main, Phases I - III	21,450,000
Nicollet Island Inn	3,950,000
Itasca Complex	18,000,000
Grove Street Flats	1,600,000
Pillsbury R & D	10,000,000
Mill Place	7,000,000
Riverplace	100,000,000
St. Anthony Main, Phase IV	8,000,000
FMC Technology Center	26,000,000
RiverWalk Apartments	11,000,000
Whitney Mill Quarter	45,000,000
Cowles Media Plant	110,000,000
Market Hotel	1,000,000
RiverWest Apartments	33,000,000
Minnesota Opera Center	2,800,000
Minnesota Tech Center	2,700,000
Theatre de la Jeune Lune	2,760,000
Precision Powerhouse	1,336,000

Completed Projects	Total Dev. Cost
Lourdes Square Townhomes	$7,617,000
Nicollet Island private homes	2,100,000
Oakwood Apartments	5,502,000
Marquette Block	6,000,000
Federal Reserve Bank	110,000,000
Creamettes Apartments	10,700,000
American Red Cross	5,000,000
Heritage Landings Apartments	28,100,000
Warehouse District Towne Place & Mill City Apartments	15,000,000
Times/Jitters	1,500,000
John Deere Building Rehabilitation and Parking Ramp	5,000,000
Milwaukee Depot	56,404,000
Lindsay Lofts	9,800,000
Gaar Scott Lofts	5,949,000
River Parkway Place	12,500,000
Renaissance on the River	15,300,000
Landings at Sawmill Run	25,000,000
RiverStation	48,000,000
North Star, Stone Arch and Washburn Lofts	55,200,000
Mill City Museum	21,800,000
Stone Arch offices	12,500,000
Depot East Office Center	21,000,000
Village at St. Anthony Falls, Blocks 1 and 2	29,500,000
Sub-total completed	$925,068,000

Projects Under Construction	Total Dev. Cost
Village at St. Anthony Falls, Block 3	$66,100,000
Stone Arch Apartments	33,500,000
Humboldt Lofts	23,000,000
Metropolitan Lofts	7,000,000
Park Avenue West Lofts	20,000,000
Rock Island Lofts	18,200,000
The Reserve	30,000,000
212 Lofts	9,500,000
Guthrie Theater	100,000,000
Sub-total under construction	$307,300,000
TOTAL	**$1,232,368,000**

City of St. Louis Park, Minnesota

- ✓ Excelsior & Grand is the first phase of the City's larger Park Commons redevelopment initiative, first engendered through a local "visioning" process in 1994. Subsequent community meetings and studies further defined the community's desire for a "town center" redevelopment project.

- ✓ The Excelsior & Grand redevelopment site was occupied by 37 commercial and residential properties with a total market value of just over $10 million. The City spent $18 million in business/residential acquisition, relocation, and demolition costs. An additional $9 million of City funds were invested in infrastructure improvements for a total City investment of $27 million. Private investments between 2002 and 2007 are estimated to be $160 and include:

  - 644 housing units (338 apartments and 306 condominiums)
  - 87,000 SQUARE FEET of retail space, including a 14,000 square foot Trader Joe's grocery store.

- ✓ The City estimates that 100 retail related jobs have been generated.

Mizner Park, Boca Raton, Florida.

- ✓ Mizner Park is a $250 million mixed-use complex. Developed over a decade, Mizner Park was created as a catalyst to revitalize Boca Raton's “downtown” in the face of competition in the western areas. It replaced a 15-year-old strip mall and demonstrated how a public-private partnership could work to the benefit of both.

- ✓ The 30-acre project area is configured as a two-City block traditional downtown and has four main mixed-use buildings and four parking garages. The project's privately developed components consist of 235,000 square feet of retail space, including 54 shops, 7 restaurants, and a department store; 279,000 square feet of office space in a Class A office tower and above-retail professional offices; 272 rental apartments and townhomes; and public parking for more than 2,500 vehicles. Mizner Park is owned by the City of Boca Raton and leased to the commercial developer and cultural users under 99-year leases.

- ✓ Mizner Park offers a mix of commercial, residential, and cultural uses. The entire north end is designated as the Centre for the Arts at Mizner Park, with three major components. These are: a 44,000 square foot Boca Raton Museum of Art and a new state-of-the-art amphitheater/concert green; a 1,800-seat, future concert hall, with administrative and educational facilities; and a 1,913-seat, eight-screen cinema, offering foreign, arts, and independent feature films.

- ✓ Site improvement costs were $6,490,051. Construction costs were $33,087,390; and soft costs were $19,966,600. Total development costs were $59,544,044. Bonds financed the City's purchase of Mizner Park's land. TIAA-CREF and commercial lenders financed the commercial and residential components.

- ✓ Since introduced, Mizner Park has spurred increases in other nearby property values and investment. The assessed project area value went from $26,845,522 in 1990 (Boca Mall) to $68,254,478 (Mizner Park) in 2002. Property values for the surrounding area rose from $16,234,649 in 1992, when part of Mizner's Phase I opened, to $229,795,741 in 2002; while the total square footage of area space went from 0.075 million in 1982, to 1.774 million in 2001.

- ✓ The City’s cost included $38.6 million for land acquisition, $3.5 million for public infrastructure and park improvements and $14.6 million for capitalized interest and the cost of debt issuance. The City financed the infrastructure improvements by combining City, county, state, and special assessment funds. The CRA financed Mizner Park through 25% of commercial lease revenues and 75% of tax increment revenues, with a secondary pledge of City utility taxes.

- ✓ Mizner Park is now the largest taxpayer in Boca Raton’s core and the second largest property taxpayer in Boca Raton, with an assessed value of $87.9 million.

Winter Park Village, Winter Park, Florida (suburb of Orlando, 2000 population 24,090)

- ✓ Winter Park Mall was located in the heart of Winter Park. It was hailed in the 1960’s as a symbol of progress. The mall was designed to compete directly for customers against nearby Park Avenue, the City's traditional main street. During the 1980’s and early 1990’s, Winter Park Mall steadily declined in sales and lost tenants, while Park Avenue maintained its vitality and grew stronger.

- ✓ When the Winter Park Mall later failed, it damaged the surrounding neighborhood, City, and region. The land and development is being configured to look and function like a normal part of an urban village. Compared to conventional malls or strip shopping centers, this development in its new form is more pedestrian friendly, more attractive from both inside and out, and more practical. Over time, a seamless reconnection with the surrounding City is expected to form.

- ✓ Information from the Director of Community Development in Winter Park noted that City staff rejected the original plan for the redevelopment and required a redesign which increased the project investment by $15 million. This additional investment increased Tax Increment Revenues by $147,000 per year, totaling $588,000 from 2001 through 2004.

- ✓ The City's costs were in consultant fees. There were no City infrastructure costs.

Brookfield, Wisconsin (suburban community near Milwaukee) (population 38,649 in 2000)

- ✓ In 2004 the City's Community Development Agency committed $32 million in bonding to stimulate redevelopment of the Brookfield Square mall area. The redevelopment proposal includes residential, office and commercial space, along with parking and public open space.

- ✓ Redevelopment of the Brookfield Square/Executive Drive Area is the City's top priority. The issue involves more than just revitalization of the mall as the strategy will create the greatest long-term sustainable value to the community in the City's main business district.

- ✓ TID #3 boundaries include 23 properties, encompassing 148.82 acres, with a total 2003 equalized valuation of $115,383,259. The TID #3 project area includes many of the City's top taxpayers. Concerns have been raised regarding the sustainability of property values in the area.

- ✓ TIF will allow the City to build/rebuild needed streets and re-create a sustainable business environment through infill redevelopment opportunities.

- ✓ Independent market and economic analyses were completed to refine and support concepts. The City has been conservative in projecting public costs and value of new development. CDA has adopted guidelines ("but-for" test for the TID, performance securities, requirement for development agreements, etc.) which will help justify and protect the City's investments in public infrastructure.

- ✓ The proposed TIF is structured with a 23-year life. The approximately $32 million in bonding (including cost of financing) will pay for approximately $21 million in public improvements, including streets, utilities, streetscape, public square, parking deck supporting infill development, and property acquisition.

- ✓ The City projects approximately $94 million of new valuation will occur within the District between 2005 and 2012. The base value for the District is $115 million. The approximately $94 million in new valuation is projected to generate cumulative tax increment revenue of approximately $32.5 million over the 23-year life of the TID.

- ✓ New development is expected to include 410 housing units, 216,000 square feet of retail and restaurant use, and 72,000 square feet of office use.

- ✓ For every $1 in public investment, $3 of private investment is anticipated. There is projected to be an approximate 82% increase in property values within the district within 8 years.

Riverfront Lot Development, Eau Claire, Wisconsin

- ✓ The Riverfront Lot Development Project was created for the purpose of the redeveloping 300-400 Graham Avenue, located in the downtown business district in September, 1983. Private development includes a six-story 40,000 square foot office building, with a financial institution as a major tenant, and a 44-unit apartment/condominium building. Through tax incremental financing the City constructed a two-level parking deck for 130 cars and improved access to the riverfront of the Chippewa River by reconstruction of the upper pathway and installation of landscaping, stairways, lighting, and street furniture. This district was closed effective January 1, 1998, and added $5 million of assessed value to the tax roll. The total TIF project cost was $1,175,000.

Soo Line Development Area, Eau Claire, Wisconsin

- ✓ The Soo Line Development Area was established in 1997 and consists of approximately 18.6 acres, located in the downtown area on the site of the former Soo Line Depot extending east of South Dewey Street and north of Doty Street to the Eau Claire River. Through the TIF, the City acquired and demolished blighted properties, installed utilities and street improvements, provided 103 spaces of surface parking and developed a riverfront trail and overlook. New development on the site consists of two new office buildings totaling 43,000 square feet. Projected costs in TIF #7 were budgeted at $1,705,000. To date, the incremental value is $3.4 million.

Marshfield, Wisconsin (2000 population 18,800, center of the state)

- ✓ On September 27, 2005, the Common Council approved a resolution which authorized proceeding with the creation of Tax Incremental District #8. TID # 8 was created to facilitate the redevelopment of Northway Mall and adjacent property. TID # 8 was created as a blight elimination tax increment district to promote redevelopment. Redevelopment of the Northway Mall area is expected to increase the tax base of the City, create jobs for the area, and eliminate blight. Over 50% of the property included in the TID #8 has been determined to be blighted.

- ✓ TIF district could fund $1.9 million of $14.1 million Northway project. The Goldridge Group has put together a cost estimate for site work, utilities, demolition, property acquisition, and revitalization totaling $2,418,439. Additionally, the investment in four new buildings, two mall expansions and redevelopment on the property are estimated to be approximately $14,100,000 over the next five years. The timeline for the entire project has it starting in the fourth quarter of 2005 and completing in 2010.

- ✓ The project will also incorporate approximately $185,000 of public improvements by the City in or adjacent to the project area. The public improvements will facilitate traffic pattern changes, traffic flow, traffic safety, and pedestrian access to the project.

- ✓ Specific infrastructure projects anticipated to benefit TID #8 include:

  a. Ives Street and Cedar Avenue Intersection Widening…………….$103,300
  b. Upham Street Right Turn Lane at Central Avenue.........................$33,900
  c. Central Avenue/Mall Entrance Improvements $12,530
  d. Ives Street Widening and Ives/Peach Avenue Traffic Signals……$115,270
  Total...$265,000

- ✓ Marshfield Proposed Improvement Total TID #8 Cost includes:

  A. Acquisition and Site Costs $1,600,000
  B. Public Improvements $265,000
  C. Soft Costs $35,000
  Subtotal Capital Costs $1,900,000
  E. Financing Costs $1,206,975
  TOTAL $3,106,975

- ✓ The increase in property valuation due to this new development was estimated at $9,000,000.

Brown Deer, Wisconsin. (Suburb north of Milwaukee, 2000 population 12,170)

- ✓ TID # 3 was created to eliminate blight and stimulate the redevelopment of West Brown Deer Road corridor within the Village. This area of Brown Deer is characterized primarily by underutilized vacant retail and commercial properties. The closing of the three major retailers, in conjunction with the decline of the former Northridge Mall shopping area, has the potential to and in some cases already has created a blighting influence on the surrounding neighborhood.

- ✓ TID #3 comprises approximately 66.5 acres of predominantly business (retail and commercial) land uses. About 20 acres are vacant, and one-half of the properties are considered blighted.

- ✓ The following are the proposed improvement costs.

  A. Municipal Infrastructure Improvements $1,750,000
  B. Imputed Administrative Costs $200,000
  C. Organization Costs $50,000
  D. Land Assembly and Real Estate Acquisition $2,500,000
  E. Relocation Costs $25,000
  F. Financing Costs $69,400
  G. Contributions - 0 -
  H. Discretionary Payments $2,500,000
  I. Contingency $300,000
  J. Promotion and Development $35,000
  TID Subtotal $7,429,000
  Capitalized Interest $400,281
  Financing Costs $69,400

- ✓ The total of estimated TID project costs is $7,429,000. Since some of the project costs will be incurred before TIF revenues may be collected, the Village may have to finance the negative TIF fund balance through borrowing. Based on the “worst case” development scenario, the borrowing and capitalized interest will add an additional $469,681 in TID financing costs, bringing the total estimated TID #3 costs to $7,829,681. Interest on the obligations issued to pay project costs will also be payable from TIF revenues.

Westminster, CO

In the mid-1990’s the Westminster Economic Development Authority initiated the redevelopment of a deteriorated outdoor mall located on 15 acres on the City’s south side. In 1997, the incremental sales tax from the area amounted to $264,000; by 2003, it had grown to $478,000. Property tax increments grew from $7,000 in 1997, to $267,000 in 2003.

The effort involved the relocation of 45 businesses to make way for a new 91,300 square foot shopping center, Westminster Plaza, anchored by a 56,000 grocery store. Total project costs were $20 million, including $3 million of direct public investment. Tax increment financing amounted to $7 million, and the private sector investment was $11 million.

In addition to new commercial services, the community gained 250 new retail jobs, with average annual wages of $25,000 ($5 million total annual wages). In the year 2003, retail sales tax revenues totaled $500,000, and property tax revenue amounted to $300,000. The project also provided the community with a substantial economic stimulus, which has led to additional commercial and residential investments.

- ✓ Many of the projects planned for the TID would not have occurred or would have occurred at significantly lower values “but for” the availability of tax incremental financing. All taxing jurisdictions are expected to benefit from the increased property values and community vitality which will result from the projects planned in TID #3.

Paseo Colorado Project, Pasadena, CA

- ✓ The Paseo Colorado Project encompasses the redevelopment of the 1970 era regional enclosed mall, Plaza Pasadena (the “Plaza”), into an open air urban village with retail, commercial and residential uses. By 1997, the Plaza was a white elephant, with few tenants, little profit for the developer, and eroding tax dollars for the City, and presented a blighting influence.

- ✓ The Paseo Colorado mixed-use project was initiated in 1998. The Project, encompassing three City blocks (14.9 acres), consisted of two separate retail and residential portions. The Residential Development Program contains four-level, 400 unit apartment buildings, ranging from 600 to 1,400 square feet, located above retail/restaurants at the western portion of the site; and a freestanding residential building to the east, designed with Art Deco-inspired elements. The Retail Development Program consisted of approximately 590,000 total GLA of retail shops, restaurants/cafes, a 14-screen cinema complex, a supermarket, health club/fitness center, and spa.

- ✓ The Pasadena Community Development Commission (PCDC) took a lead role in planning for the Paseo Colorado Project. The PCDC'S main objectives include stimulation of residential and commercial revitalization within targeted neighborhood areas and the City's seven redevelopment project areas, which annually generate approximately $21,406,000 of tax increment.

- ✓ The City, PCDC, TrizecHahn Development, Post Properties and Federated Department Stores were parties to the development agreement. The City provided $32 million in Certificates of Participation (COPs) for the project, by disbursing an initial amount paid as the purchase price for the developer's leasehold on the three parking facilities; and the balance as a reimbursement for the developer's costs associated with widening the Garfield Promenade area, providing upgrades to the satellite parking facilities, and other project-related public improvements. Debt service for the COP's is derived from net parking revenues. The City now operates and maintains the parking facilities, TrizecHahn acquired fee title to the retail site from the existing mortgagor and funded the retail improvements. TrizecHahn sold air rights to Post Properties for construction of residential improvements above the retail improvements.

- ✓ The economic goals of the project were to facilitate revitalization of Plaza Pasadena and the Civic Center District by invigorating commercial sections of the district, providing jobs and creating a true "urban village" where people could live, work, play, and circulate without cars. With the inclusion of fee-based parking, the PCDC/City will generate enough capital in order to repay the debt service in less than 10 years, while generating profits on the parking portion of the project. The retail/commercial portion of the project will generate sales tax for the local economy; property tax to the City; and Tax Increment to the redevelopment fund. The inclusion of housing to the mix provides a population that can benefit from the amenities of the site while contributing to the sales tax base.

- ✓ Paseo Colorado was the first project undertaken as part an overall Civic Center revitalization plan and has served as the catalyst for a number of new development projects in the Civic Center/Downtown Redevelopment Project Area, including: 1) the Civic Center Mid-Town district public improvements project; 2) Western Asset Plaza, a PCDC-assisted commercial/retail office redevelopment project adjacent to Paseo Colorado at Colorado/Los Robles Avenue; 3) City Hall seismic rehabilitation; 4) rehabilitation of the historic Julia-Morgan designed YWCA; 5) Pasadena Conference Center expansion among others. The Paseo Colorado development has re-established major retail activity within the heart of the Civic Center District, provided hundreds of new job opportunities for residents, and, has emerged as a vibrant live/work environment within the City's central core.

- ✓ Paseo Colorado retail uses are 96% leased and the residential component 95% occupied. The retail center is currently averaging $400 per square foot of retail revenue.

Downtown Project, Silver Springs, Maryland.

- ✓ Silver Springs involves a mixed-use development to create a pedestrian oriented commercial core in this inner suburb of the District of Columbia. The site is a visually strategic entranceway to the entire area.

- ✓ The project involved the creation of 440,000 square feet of retail, 185,000 square feet of office, a 179 room hotel, a 23 screen movie theater, and a public plaza.
- ✓ About $189 million in private financing was involved as well as $96 million in public financing from the County and $35.4 million from the State of Maryland. The public financing was used primarily for the purchase of land, write downs associated with its resale, and infrastructure, including decked parking.
- ✓ The public to private cost ratio is about 1 to 5.

Winchester Greens, Chesterfield County, Virginia.

- ✓ Winchester Greens is a mixed-use, mixed income project consisting of:

  240 rental townhouses.
  174 senior apartments.
  10,000 square feet of retail.
  15,000 square feet of office.
  A daycare center.
  80 single-family.
  Additional planned retail.

- ✓ Financing for the effort consisted of $14.2 million in private sector resources. These resources were matched by $14.3 million in public funds. Of the public resources, $13.5 million was derived from a federal HUD grant and $0.85 from a County grant. The injection also includes the donation of HUD land not accounted for in the figures. The private to public ratio is just below 1 to 1.

General Iron Works Foundry, Englewood, Colorado

- ✓ The City of Englewood, with a population of 32,658, is landlocked with virtually no undeveloped land. The City does, however, contain a number of vacant and underutilized properties, including the former General Iron Works Foundry, which was situated on 18 acres of environmentally contaminated land. The foundry closed in 1985; and since that time, it had become home to a variety of short-term tenants along with vagrants, vandals, and assorted illegal activities.
- ✓ It was the City's goal to redevelop the site and, thereby, provide new housing choices and businesses. The Englewood Urban Renewal Authority along with the Denver Regional Transportation District are implementing a plan that includes a light rail transit station, complete with a transit oriented mixed-use development consisting of up to 400 residential units, 90,000 square feet of new office, and 10,000 of associated retail use. Total project costs are estimated to be $101 million, with the public sector's share amounting to $4 million.
- ✓ Benefits from the project will include 385 new permanent jobs (360 office and 25 retail) with total annual wages of $19 million. New retail sales tax revenue is expected to be $300,000 and new property tax revenues will amount to $62,000. Additional community benefits include environmental improvements, a reduction in criminal activity, and readily available public transit.

Meekers Commons, Greeley, Colorado

- ✓ The Meeker Commons project area sits on a 2 acre tract that was previously home to 13 blighted residential properties and vacant lots. The Greeley Urban Renewal Authority assisted in the acquisition and redevelopment of the area. The community now consists of 106 new housing units (30 single-family and 76 senior housing), 6,000 square feet of new retail, and 4,000 square feet of office space. The Authority also acquired seven additional nearby properties which were redeveloped into the new Children's Clinic. This new clinic in turn gave impetus for a new dental clinic, thereby providing the community with needed health care services.

- ✓ Total project costs were $5.5 million. Direct public investments were $1.5 million and tax increment financing equaled $1.9 million. Economic benefits included 31 new jobs (16 office, 15 retail) and an increase in the area's assessed property value from $83,000 before redevelopment (1995) to $925,000 in 2003.

Brentwood, California

- ✓ The City's Downtown Specific Plan, managed by the Brentwood Redevelopment Agency calls for the transformation of the downtown on a parcel by parcel basis. The project area consists of approximately 205 acres around the City's historic center. The area is characterized by a variety of residential, civic, and retail structures dating back over one hundred years.

- ✓ The overall vision of the project is to encourage "new net value and investments, thereby building upon the existing strengths and assets of the downtown area." The primary goals are:

  - Guide the growth and change to ensure that it evolves to embody the community's vision for a vibrant, active, and beautiful City district that continues to play an essential role in the daily lives of the City's residents.
  - In recognition of regional and local population growth, preserve Downtown's role as a hub for services, conveniences, experiences, and lifestyle choices that are not found elsewhere within the City and are fundamental to the long-term health of the community.
  - As growth and change proceed, preserve and extend Downtown's small town character and its warm and hospitable atmosphere.

- ✓ The City has allocated $12,242,000 of tax increment revenues for the first five years (FY 2005/05 to FY 2008/09) of project activities. Short-term projects, defined as taking place in the next five years, include:

  - A new entertainment anchor defined as a multiplex theater or similar development designed to increase the Downtown's appeal as an evening or weekend destination.
  - A new parking structure near the Downtown's gateway. The new structure would reduce the reliance on surface parking lots which, in turn, would allow for new mixed-use infill with retail and other activity generating uses on the first floor, and office spaces, personal and professional services, and apartments on the upper floors.
  - New housing sites at specific locations in and around Downtown.

✓ Long-term changes are anticipated to take place within a six to fifteen year period. These planned improvements include:

- Integrating transit with the development of a new station and expanded rail service.
- Significant new mixed-use infill including offices and lodging. New office and retail development will locate jobs and services within a walkable Downtown core.
- Civic life improvements are to include a new City Hall, community center, and library encircling the City park.

Midtown, Kansas City, MO

✓ Since 1982 Kansas City has made extensive use of tax increment financing for redevelopment activities. TIF projects can set aside up to 50% of the City's share of the sales tax increment within the district, as well as up to 100% of the property tax increment. Kansas City and St. Louis also have City earnings taxes of 1% of gross earnings for all City residents and employees. Up to 100% of these incremental revenues also can be set aside.

✓ The Midtown TIF district is located in a low-income residential neighborhood that lacked a supermarket or sufficient retail services. The neighborhood was declared blighted due to abandoned and dilapidated properties along with the presence of adult entertainment stores in a residential neighborhood. The district was created in 1993, with planning activities initiated in 1995. Construction started in 1999.

✓ The plan called for the demolition of 140 properties within the 22-acre area and the development of a shopping center anchored by a supermarket and a Kmart. TIF funds were to be used for site assembly and preparation, store relocation, street and sidewalk improvements, and other public infrastructure. The plan also set aside TIF funds for the rehabilitation of single-family homes on residential streets adjacent to the district. Overall, the project took eight years to develop and required the cooperation of the EDC, the Midtown Redevelopment Corporation, the City of Kansas City, and the participating businesses. In 2000, the City raised $45 million in bonds, backed by a $1.464 million UDAG grant; proceeds from State bonds; a City advance; and Section 108 funds. A consortium of private lenders loaned the Midtown Redevelopment Corporation $1 million for housing rehabilitation, to be repaid through TIF funds.

✓ To date, the Midtown TIF has completed construction at its two project sites, with over 370,000 square feet of new retail space, fully-leased and open. The first site includes Costco and Home Depot stores with over 400 new jobs. The total development cost was $68 million with the City contributing $34 million in TIF funds. The second site includes a supermarket, Hollywood Video, GNC and Boston Market stores with over 200 new jobs. The total development cost for this site was $9.3 million, with the City contributing $1.5 million in TIF funds over 20 years. The City reports an increase in assessed value for the TIF district of $5.6 million.

✓ The redevelopment improvements have served to improve the neighborhood's housing stock. The City marketed its housing rehabilitation loan fund program within the area; and within the first several years, a total of 45 loan applications were generated from within the district.

As noted, there are numerous other non-central city or suburban examples that include those associated with the following well known efforts:

1. **Columbia Pike, Arlington, Virginia.**

2. **Mixed-use/Performing Arts Center, Public Parking effort, Cary, North Carolina.**

3. **The Village of Shirlington, Arlington County, Virginia.**

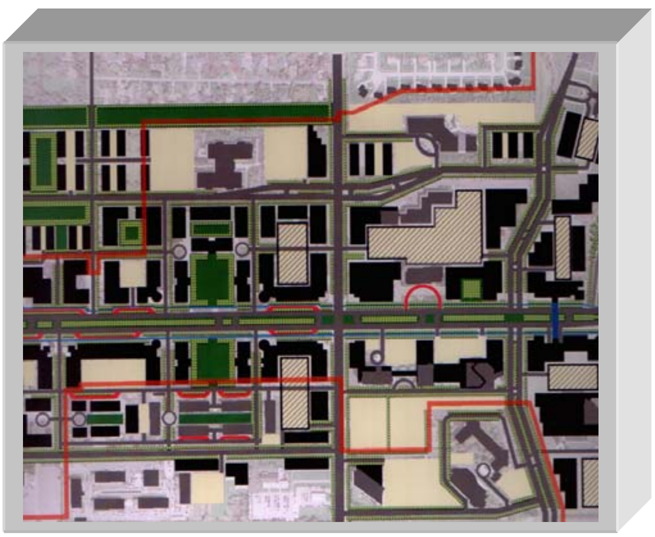
4. **Bethesda Transit Station Area, Bethesda, Maryland.**

Preliminary Development Program

In 2006, a team of consultants, lead by Birchler Arroyo Associates, Inc., with Grissim Metz Andriese Associates and The Chesapeake Group, Inc., assisted the DDA in developing the Big Beaver Corridor Study. In concept, the resulting plan calls for the creation of an increased pedestrian friendly environment, through significant infrastructure changes and increased density of activity, to create a "world class" boulevard.

The study indicates that:

1. More people work in Troy than reside in the City. Big Beaver is the heart or center of Troy and serves a substantial regional population.

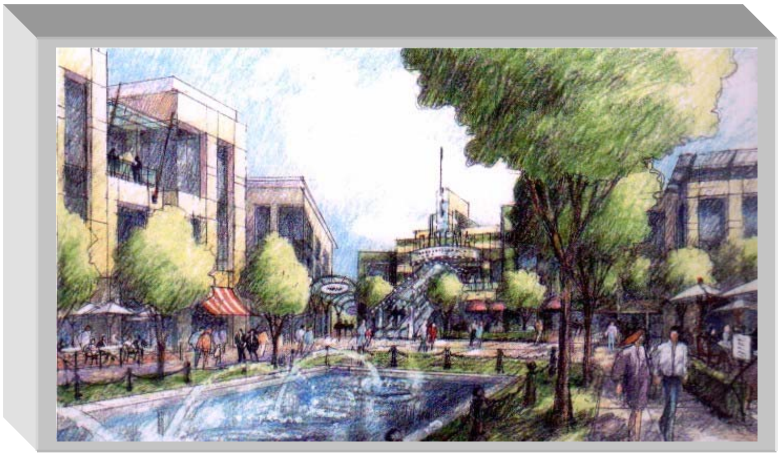


2. The population in the City is highly educated, with 75% of all residents having at least some college. The average household size is declining, and there is a growing "baby boomer" population. It is estimated that the number of seniors in Troy will more than double by 2030.

3. Well more than one million square feet of retail can be found in the area at present, including some of the finest retail and restaurant establishments in the country.

4. Troy is one of the principal areas for quality office space in the Greater Detroit area, having more than 14 million square feet of space at present. Retail and office are major attractions for the study area. However, so too are the municipal services headquartered in the center of the Big Beaver Corridor.

The preliminary development program for the corridor defines the opportunity for additional activity that includes the potential top capture:



1. 10,000 new dwelling units over the next 25 year period.
2. 650,000 square feet of new retail space over the next ten years, with growth directly linked to new housing within the corridor.
3. 1 million square feet of office and R & D space over the next ten years, based on housing growth and the increased desire to work near one's residence.
4. 50,000 - 75,000 square feet of service space.

Achievement of redevelopment is fundamental to the concept of enhancement of the corridor to a "world class" boulevard and sustainable focus for all of Troy.

Preliminary Public Benefits

The following is a synopsis of select benefits associated opportunities for the application of the boulevard concept for Big Beaver. The analysis is limited in focus because the property tax revenue benefits in and of themselves both internal and external to the DDA area, are substantial and more than sufficient to justify investment to date by the City, substantial further investment if need be, and provide a reasonable private sector leverage. It is noted that there are several types of benefits that are measured and others which could have been measured that accrue at many levels, including but well beyond the local level of government and Troy's population. For example, new housing, filled with additional households, and commercial not only yields property taxes, but also income taxes for those employed, utility taxes, additional indirect jobs and associated income taxes, numerous taxes associated with the "households" who have expanded income or additional employment opportunity, etc.

Estimates of benefits found in this analysis are considered conservative in nature, tending to understate rather than overstate benefits, since certain benefits are not considered. Furthermore, the estimates represent only TCG's opinion based on the presented information and experiences. It is noted that the actual benefits that accrue in any situation or in this effort could vary depending upon a variety of factors such as timing, interest rates, and recruitment of a significant major space user.

Two options are developed. The first assumes that build-out of the potential defined economic opportunities occurs. The second option assumes that build-out is not achieved, but increased intensity of housing does occur at a level of about 50% of the potential.

It is further noted that both direct and indirect benefits are estimated, including:

- ✓ Increases in employment.
- ✓ Property valuation changes and property taxes that accrue at the local level.
- ✓ Retail sales and retail sales tax that accrues.
- ✓ Other taxes that accrue as a result of the expanded activity.

The following are strategic assumptions associated with the estimates of benefits.

1. The ratio of employment to square feet of office space is 4 employees per 1,000 square feet, or one per 250 square feet. (Gross square footage)

2. The ratio of employment to square feet for retail, restaurants, and other related services is 5 employees per 1,000 square feet, or one per 200 square feet. (Gross square footage)

3. All estimates are in constant dollars (2007).

4. There are a variety of taxes that are ad valorem in nature. These include City, County, State, several school related, College, Debt, Refuse.

5. Of the business property taxes, about two-thirds are levied on real property and one-third on personal property. Personal property includes, but is not limited to furniture, fixtures, machinery, signs, equipment, computers, tools, dies, jigs, leased equipment, leasehold improvements and buildings on leased land. (It is noted that the Assessor could only provide personal property information inside the DDA for the entire area. (Personal Property Parcel Identification Numbers do not follow section [square mile] formatting.)

6. All tax and millage rates are assumed to be constant and at the 2006 tax level.

7. Information furnished by the Assessor indicates that **the DDA area includes 226 parcels on about 750 acres of land. The area that surrounds the DDA that is impacted by changes in the DDA includes another 7,226 parcels and 47,400 acres**.

8. **The building market value within the DDA area was** estimated by the Assessor as being **about $1.1 billion**. The **building market value in surrounding areas is estimated at $1.98 billion. Thus, while representing only 3% of the parcels and 1.6% of the acres, the DDA area represents about 36% of the building market value**.

9. **Within the DDA area, 96% of the building market value at present is associated with commercial improvements**; whereas, within the surrounding area, 72% of the building market value is associated with residential.

From “7,” “8” and “9” above it is concluded that the Big Beaver corridor is the dominant contributor to the tax base in Troy, the school system, etc.. Furthermore, its current contributions to employment and the economic structure are fundamental to the sustainability of the Troy communicated as will further be defined in that which follows

Based on these and several other assumptions, the following direct and indirect benefits are likely to accrue.

Alternative A - Build Out

Direct Employment: Increases in employment associated with the expanded retail and office activity will be substantial. Based on the estimates of **additional** supportable square feet of **space**, **employment** in the Big Beaver Corridor will expand by potentially **7,250**, with 4,000 associated with office and research activity and 3,250 associated with retail. (Construction jobs are not included but could be substantial for 10 to 20 years of private development and for public sector improvements.)

There is a potential for **1,500 to 2,000** of these new employees to live **within the DDA area** in new housing. In addition, while it is difficult to determine the number of new employees that will live elsewhere **within Troy**, the number is likely to range from **750 to 1,800**, thereby either bolstering the housing market in Troy or expanding the demand for housing.

Direct Income Expansion: Related to the employment is income associated with the expanded activity. It is assumed that the annual average income for office and research related employees is $47,500, while the average for retail, ranging from part-time clerks through management, is estimated at $22,000. **Total annual income from the new employment** associated with **new space** is estimated at **$261 million**. This will also raise substantial income taxes, depending upon the household income associated with the employees.

Indirect Employment and Income Expansion: In addition to the jobs associated with the expanded space in the corridor, the spending associated with the added employment and income will result in additional secondary job creation and related income. It is estimated that the expanded **secondary or indirect employment** associated with the direct employment and income could generate **an additional 1,100 to 2,200 jobs in Troy and areas that surround it**.

Direct Property Valuations - Residential: The **total market value** of the proposed build-out **residential activity** in the corridor is expected to be **$3.4 billion annually**, based on the range of housing anticipated. The development of housing is expected to occur over a 20-year period, with the first units coming in three years from initiation of efforts. To simplify efforts, units are spread equally over the 20-year period. About 50% of the valuation is associated with units averaging $400,000, with the remaining averaging at about one-half of this value.

Direct Taxes - Residential: As noted in the assumptions, a **range of taxes** has been included, such as City, various school related, ISD, Debt, Refuse, OCPTA, Parks, County, and County Operating. At build-out, the taxes associated with the residential development are **estimated at $188 million annually**. This includes $27.54 million in “City taxes,” $126.8 million in school related taxes, and $14.25 million in County Operating taxes. It is noted that the student yield is expected to be minimal.

Based on a 20-year build-out, the annual increase in "City taxes", with increases in **"City taxes" beginning in year three, is estimated at about $1.38 million**. Assuming 2007 is the first year, **$261.63 million would be generated in "City taxes" in total by year 20. By build-out, the amount associated with the residential activity is estimated at $289.17 million.** (It is noted that it could be 3 to 5 years before the existing home sales market stabilizes, dramatically enhancing the prospect for housing along Big Beaver. This "year one" might not begin for five years and not in 2007.)

<u>Direct Property Valuations - Commercial</u>: At build-out for the retail, office and R & D activity, the annual **market value of the new development** in the corridor is estimated at **$247.5 million**. From the initiation of this type of development, not anticipated for 5 years, the build-out period employed is expected to be 10 years.

<u>Direct Taxes - Commercial</u>: As with residential, a **range of taxes** has been included. At build-out, the taxes associated with the new commercial development are **estimated at more than $16 million annually**. This includes $2.34 million in "City taxes." Based on a 10 year build-out, the annual increase in "City taxes," with increases in **"City taxes" beginning with year five, is estimated at about $2.34 million**. Assuming 2007 is the first year, **$23.4 million would be generated in "City taxes" in total by year 10 and $36.27 million by year 20.**

<u>Direct Retail Sales Taxes</u>: Retail sales taxes are somewhat linked to the type of space provided and the quality of the establishments. It is note that quality retail is anticipated, with some minority of the space associated with food and prescription pharmaceuticals that are not taxed. **Retail sales taxes** at build-out are conservatively estimated at **$7.8 million annually**.

In addition to the impact and taxes collected associated with new development, there are impacts that will be felt on existing properties both within and outside the DDA area. These are defined as indirect benefits. A synopsis of salient quantifiable indirect benefits follows.

<u>Indirect Property Valuations – Commercial Structures inside DDA</u>: New development within the DDA stimulates demand for existing activity that is properly maintained and competitive. (An analogy would be a new home built on a block where existing homes are maintained, and the value of the new home is twice that of the existing homes. This new home causes the value of the other units in the block to generally rise.) The current market value of commercial development within the DDA area is estimated by the assessor at $1,065 billion. As new development is added to the area, the existing development market value attributable only to enhanced demand and activity caused by the new development is estimated to rise by about 35% over the build-out time frame and period. **The "value added"** due to expanded market factors will result in **an increase in market value for existing buildings of $372,727,000 annually** at build-out.

<u>Indirect Taxes – Commercial Structures inside DDA</u>: Based on the $372.7 million "value added" to the existing property, overall **increased taxes** at build-out **from existing property** is estimated at **$20.5 million annually**. Included is **$3.019 million in "City taxes."** Value of existing property is expected to peak before all new development will be completed, but with the market anticipation of that development. The peak is expected to be achieved after about 10 years from initiation of new development. **Total "City taxes" over the 20 year** build-out, but, based on the peak at ten years is estimated at **$46.8 million**.

Indirect Property Valuations – Land inside: With raised expectations and new regulations that afford the opportunity to eliminate surface parking and other lesser value uses of land within the DDA, land values will rise significantly. Simply stated, the return on revenue associated with land used for buildings is greater than land used for surface parking. The current market value of land in the DDA area is estimated at $222.6 million. At least a 60% rise is anticipated, attributable to the changed economic conditions arising from new development. That increase will be for both utilized and under-utilized land within the DDA area. The **estimated increase in market value of DDA area land is estimated at $133,583,000** at build-out.

Indirect Taxes – Land inside: As in all other cases, the 60% anticipated value of land in the DDA area results in increased tax revenues for the City, schools, County, etc. **Annual "City taxes"** alone, once peak valuation of the land is achieved, will be **$1.082 million annually**. Over a 20 year period, the **increased "City taxes" revenue associated with the enhanced land values is expected to be $14.66 million**.

Indirect Property Valuations – Residential outside DDA: All of the above changes are within the DDA area. Yet, an expanded public-private sector effort in the DDA area will yield a return on the community outside of the DDA area. As noted, most of the employees of the expanded DDA area activity are expected to reside outside of the DDA area. Many will live in Troy. This increased employment activity has a direct spin-off on property values in surrounding neighborhoods. Arguably, the case can be made that residing near employment generators will be of increasing importance in the future as the cost of energy remains high or increases and as the population ages and seeks less stressful commuting conditions. Many of the examples given of "but for" efforts in other communities also indicate significant impacts on surrounding neighborhoods.

This change in market conditions will be reflected in housing market conditions in Troy. Initially, the growth in activity in the DDA area is likely to play a significant role in the stabilization of property values and market conditions. As development in the DDA increases, valuations in surrounding areas will increase as a direct result of the expanded employment, services, restaurants and simply quality of the new "world class boulevard."

The current market value, as determined by the Assessor, of residential development within about a one mile area of the DDA area, which is the area most likely to feel the impact, is estimated at $1.436 billion. Residential land value is estimated at $555.9 million.

The average increase in value in this area is expected to be about 12.5% attributable to the creation of the sustainable DDA area activity. The enhanced values will likely be greater to those closest to the DDA area and lesser for those furthest away. **The increase in value to the residential base outside the DDA area,** but within about one mile of that area, is expected to be about **$249 million** for land and buildings.

Indirect Taxes – Residential outside DDA: **Annual taxes** associated with the above stabilization and appreciation are estimated at **$13.697 million**. This includes education related tax expansion without any additional defined need for services. In fact, theoretically this increase does not require additional services of any type. **"City taxes" alone** are expected to be **$2.017 million annually**.

<u>Indirect Sales Taxes outside of the DDA</u>: While some spending on retail by new DDA residents will be within the DDA area as noted, other spending is not likely to be. The **spending** by new DDA residents **at establishments in other Troy locations** is likely to result in a range from **$6 to $9 million annually in sales taxes**.

As can be determined, the measurable impact on both the economy of Troy and revenue collections by those providing services is dramatic and substantial. These include:

- ✓ 7,250 new jobs in the DDA area, with 1,800 living in areas of Troy outside the DDA.
- ✓ 1,100 to 2,200 new jobs elsewhere in Troy.
- ✓ Significant tax revenue yield for education, parks, and other activity without additional services or costs.
- ✓ $261 million in annual household income.
- ✓ Increase in total market value of new residential development within the DDA area of $3.65 billion.
- ✓ $188 million in new taxes annually for the City, County, schools, etc. from low "yield" households. A total of $289.17 million in "City taxes" over a twenty year period alone.
- ✓ $247 million in new market value for commercial activity within the DDA area, with $16 million in tax revenues accruing to the City County, schools, etc. and $36.27 million in "City taxes" alone over the 20 year period.
- ✓ $327.7 million annually in "value added" to existing DDA area buildings, with an increase in $3 million annually alone in "City taxes," or $46.8 million over a 20 year period.
- ✓ $1.082 million annually in new "City taxes" on existing DDA land, or a total of $14.66 million over a 20 year period.
- ✓ Increases in residential properties in neighborhoods that surround the DDA area of $249 million in market value.
- ✓ The revenues resulting in substantial injection of dollars into various taxing and fee categories without any increases in tax or fee rates.

It is worth noting that economic conditions within Michigan, the Greater Detroit area, and Troy have been somewhat unstable. While, to a certain extent, it can be argued that Big Beaver and Troy have not felt the impact as much as some others; it is nonetheless a significant consideration. In developing the estimates, The Chesapeake Group has assumed that the next three to five years may be a period of transition and planning for the future, not growth. Whether residential or commercial, little to no growth is anticipated during that time and stabilization may be a satisfactory market result. On the other hand, as the many examples in other communities throughout the country show, "but for" investment is important and may be more so even when adverse economic conditions exist. "Do nothing" during this period of time would potentially be disastrous to Troy. Reinvestment is essential for stabilization and from lessening impact of factors outside of the control of local or state government.

Based on the "Alternative A" estimates, the amount of "public sector" injection within the DDA area for infrastructure and other activities to create a "world class" boulevard can be estimated. Assuming the public infrastructure development is largely financed and not "pay as you go," it is noted or assumed that:

- ✓ Only revenues associated with "City taxes" are included or would be used and not other taxes.
- ✓ 20-year financing at 8% by bonds or dedication of revenues.
- ✓ Local public sector "City tax" dollars could be used to leverage State and Federal dollars since Big Beaver is a major arterial, and economic development activity is of critical importance to these other entities.
- ✓ A leverage of two private sector dollars for every one public sector dollar is also desired, at a minimum, based on the numerous case studies.

As already defined, "City taxes" that accrue over a twenty year period internally within the DDA area are substantial. They are once again defined as follows:

1. $289.17 million from residential development within the DDA area.

2. $36.27 million from commercial development within the DDA area.

3. $46.8 million in "value added" from existing structures within the DDA area.

4. $14.66 million from "value added" to land within the DDA area.

This represents a total of $386.9 million in revenue stream from "City taxes" over the build-out period of twenty years.

Assuming only 50% of this revenue flow of "City taxes" is used to finance infrastructure to facilitate the transition within the DDA area (a total of $193.45 million, or $9.672 million per year), the dollar flow could support financing about $96.35 million in infrastructure enhancement at a minimum. As noted, this could be leveraged against other public sector dollars. If a two and three to one leverage were achieved, the amount of funds for infrastructure would increase to $192.7 million and $289.1 million.

Alternative B & Beyond - Build Out

While achieving market potential for development within the DDA area is plausible, there are those who would say that the current economic conditions in Michigan are not likely to begin to fade within the next 3 to 5 years as indicated by the phasing in "Alternative A." Furthermore, other factors may impact the opportunities. In recognition of those types of concerns, other alternatives can be developed using the figures generated in "Alternative A." In fact, there are an infinite number of alternatives that could be classified as "what if" scenarios that reflect no recruitment of R & D, no recruitment of housing or other activity in the area, no attempt to secure housing for the growing number of "baby boomers" in Michigan and elsewhere who live/lived in Michigan who will move from their current locations in the foreseeable future, and only modest changes to the current breakdown of activity within the DDA.

For any alternative that can be suggested, the benefits can be measured by the proportional relationship between the new DDA households associated with Alternative A and those with a lesser number of new housing units. For example, if the assumption is made that only 50% of the housing units will be built, all other estimates, excluding the indirect benefits to the existing housing outside but around the DDA area, would be decreased by 50%. From 50% and above, the impact on the surrounding community is likely to be fairly constant. However, below this proportion, the positive impact would drop off significantly to the surrounding area and would dissipate to virtually nothing at the 30% level. This is because:

- ✓ The decline in new growth in employment opportunities within the DDA.
- ✓ A lessening of value of benefits to neighbors from living nearby.
- ✓ The lessening of the likelihood of financing and achieving a "world class" boulevard.

Thus, for indirect benefits to remain at the substantial level indicated in "Alternative A," substantial additional private and public sector investment is required within the DDA area. That additional investment will only come through intensification of development, led by expanded housing and recruitment and development of an R & D component.

Act No. 250
Public Acts of 2010
Approved by the Governor
December 14, 2010

Filed with the Secretary of State
December 14, 2010

EFFECTIVE DATE: December 14, 2010

STATE OF MICHIGAN
95TH LEGISLATURE
REGULAR SESSION OF 2010

Introduced by Reps. Schuitmaker and Byrnes

ENROLLED HOUSE BILL No. 5461

AN ACT to provide for the establishment of a private source of funding for public infrastructure; to prescribe the powers and duties of certain public entities; to finance public infrastructure through public and private sources; to authorize the acquisition and disposal of interests in real and personal property; to authorize certain public and private entity partnerships; to authorize the creation and implementation of certain plans and negotiated benefit areas; to promote economic development; to authorize the use of tax increment financing; to prescribe powers and duties of certain state and local officials; to provide for rule promulgation; and to provide for enforcement of the act.

The People of the State of Michigan enact:

Sec. 1. This act shall be known and may be cited as the "private investment infrastructure funding act".

Sec. 2. As used in this act:

(a) "Administering agency" means the department, the county road commission, the county drain commissioner, or the city, village, or township that has jurisdiction over the public facility, as determined by the negotiating partnership. The administering agency will administer the development of the public facility.

(b) "Captured assessed value" means the amount in any state fiscal year by which the current assessed value of the negotiated benefit area, including the assessed value of property for which specific local taxes are paid in lieu of property taxes as determined in section 3(c), exceeds the initial assessed value. The state tax commission shall prescribe the method for calculating captured assessed value.

(c) "Chief executive officer" means the mayor or city manager of a city, the president or village manager of a village, or the supervisor of a township.

(d) "Department" means the state transportation department.

(e) "Fiscal year" means the fiscal year of the administering agency.

(f) "Governing body" or "governing body of a municipality" means the elected body of a municipality having legislative powers.

(g) "Initial assessed value" means the assessed value of all the taxable property within the boundaries of the negotiated benefit area at the time the tax increment financing plan is approved, as shown by the most recent assessment roll of the municipality at the time the resolution is adopted. Property exempt from taxation at the time of the determination of the initial assessed value shall be included as zero. For the purpose of determining initial assessed value, property for which a specific local tax is paid in lieu of a property tax shall not be considered to be property that is exempt from taxation. The initial assessed value of property for which a specific local tax was paid in lieu of a property tax shall be determined as provided in section 3(c).

(h) "Lead fiduciary agency" is the county or counties in which the public facility is located or other tax collecting unit whose taxes are subject to capture under this act as determined by the negotiating partnership.

(i) "Municipality" means a city, village, or township.

(j) "Negotiated benefit area" means the area of tax capture whose boundaries are described by the negotiating partnership and are within state boundaries.

(k) "Negotiating partnership" means a collaborative effort between public entities located within this state governing the development and financing of public facilities. The negotiating partnership shall execute a written agreement which shall provide who the lead fiduciary agency and the administering agency are. Members of the negotiating partnership are as follows:

(*i*) The municipality or municipalities within the negotiated benefit area in which the public facility is to be located.

(*ii*) One of the following:

(A) If the public facility to be improved or constructed is under the jurisdiction of the department, the county road commission, or the drain commissioner, then the department, the county road commission, or the drain commissioner, as applicable, and the county in which the public facility is located.

(B) If the public facility to be improved or constructed is under the jurisdiction of the city, village, or township, then the county in which the public facility is located.

Sec. 3. As used in this act:

(a) "Parcel" means an identifiable unit of land that is treated as separate for valuation or zoning purposes.

(b) "Public facility" means a street, road, or highway, and any improvements to a street, road, or highway, including street furniture and beautification, park, parking facility, recreational facility, right-of-way, structure, waterway, bridge, lake, pond, canal, utility line or pipe, water or wastewater facilities, or building, including access routes designed and dedicated to use by the public generally, or used by a public agency. Public facility also includes public-transportation-related infrastructure and light and commuter rail line projects. A public facility does not include a tunnel or bridge that includes an international border or crossing.

(c) "Specific local tax" means a tax levied under 1974 PA 198, MCL 207.551 to 207.572, the commercial redevelopment act, 1978 PA 255, MCL 207.651 to 207.668, the technology park development act, 1984 PA 385, MCL 207.701 to 207.718, or 1953 PA 189, MCL 211.181 to 211.182. The initial assessed value or current assessed value of property subject to a specific local tax shall be the quotient of the specific local tax paid divided by the ad valorem millage rate. The state tax commission shall prescribe the method for calculating the initial assessed value and current assessed value of property for which a specific local tax was paid in lieu of a property tax.

(d) "State fiscal year" means the annual period commencing October 1 of each year.

(e) "Tax increment revenues" means the amount of ad valorem property taxes and specific local taxes attributable to the application of the levy of all taxing jurisdictions upon the captured assessed value of real and personal property in the negotiated benefit area. Tax increment revenues do not include any of the following:

(*i*) Taxes under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906, except that portion of the taxes under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906, not to exceed 50% of those taxes as determined by the state treasurer for a period not to exceed 15 years, as determined by the state treasurer, if the state treasurer determines that the capture under this subparagraph is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality.

(*ii*) Taxes levied by local or intermediate school districts, except that portion of taxes levied by local or intermediate school districts not to exceed 50% of those taxes as determined by the state treasurer for a period not to exceed 15 years, as determined by the state treasurer, if the state treasurer determines that the capture under this subparagraph is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality.

(*iii*) Ad valorem property taxes attributable either to a portion of the captured assessed value shared with taxing jurisdictions within the jurisdictional area of the administering agency or to a portion of value of property that may be excluded from captured assessed value or specific local taxes attributable to the ad valorem property taxes.

(*iv*) Ad valorem property taxes excluded by the tax increment financing plan of the administering agency from the determination of the amount of tax increment revenues to be transmitted to the administering agency or specific local taxes attributable to the ad valorem property taxes.

(*v*) Ad valorem property taxes exempted from capture under section 10(5) or specific local taxes attributable to the ad valorem property taxes.

(*vi*) Ad valorem property taxes specifically levied for the payment of principal and interest of obligations approved by the electors or obligations pledging the unlimited taxing power of the local governmental unit or specific taxes attributable to those ad valorem property taxes.

Sec. 4. Except as otherwise provided in this act, a municipality may enter into and establish multiple negotiating partnerships to develop and finance public facilities.

Sec. 5. (1) If the governing body of a municipality determines that it is necessary for the best interests of the public to promote economic development and public infrastructure improvement, the governing body may, on its own or from a written request of a potentially affected property owner in the municipality, declare its intention to enter into 1 or more negotiating partnerships to develop public facilities as provided in this act.

(2) If the governing body of the municipality intends to proceed with entering into 1 or more negotiating partnerships, it shall adopt, by majority vote of its members, a resolution to that effect. The adoption of the resolution is subject to any applicable statutory or charter provisions in respect to the approval or disapproval by the chief executive officer or other appropriate officer of the municipality and the adoption of a resolution over his or her veto. A copy of the resolution shall be filed with the secretary of state promptly after its adoption and shall be published at least once in a newspaper of general circulation in the municipality.

(3) A municipality that has entered into a negotiating partnership may enter into an agreement with an adjoining municipality that has entered into a negotiating partnership to jointly operate and administer those negotiating partnerships under an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Sec. 6. (1) Meetings and proceedings concerning a negotiating partnership are subject to the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(2) A writing prepared, owned, used, in the possession of, or retained by the municipality concerning a negotiating partnership is subject to the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

Sec. 7. (1) The negotiating partnership may provide for 1 or more of the following:

(a) Study and analyze the need for public facilities within the negotiated benefit area and identify other potential negotiated benefit areas.

(b) That the administering agency shall plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation, or reconstruction of a public facility in a negotiated benefit area. The administering agency is encouraged to develop a plan that reasonably conserves the natural features of the site and reduces impervious surfaces.

(c) That the administering agency shall implement any plan of development of a public facility in the negotiated benefit area necessary to achieve the purposes of this act in accordance with the powers granted by this act.

(d) That the administering agency shall make and enter into contracts necessary or incidental to the exercise of its powers and the performance of its duties.

(e) That the administering agency shall acquire by purchase or otherwise, on terms and conditions and in a manner the administrative agency considers proper, or own, convey, or otherwise dispose of, or lease as lessor or lessee, land and other property, real or personal, or rights or interests in the property, that the administrative agency determines are reasonably necessary to achieve the purposes of this act, and to grant or acquire licenses, easements, and options.

(f) That the administering agency shall improve land and construct, reconstruct, rehabilitate, restore and preserve, equip, clear, improve, maintain, and repair any public facility, building, and any necessary or desirable appurtenances to those buildings provided in the negotiating partnership to be reasonably necessary to achieve the purposes of this act, within the negotiated benefit area for the use, in whole or in part, of any public or private person or corporation, or a combination thereof.

(g) That the administering agency shall fix, charge, and collect fees, rents, and charges for the use of any facility, building, or property under its control or any part of the facility, building, or property, and pledge the fees, rents, and charges for the payment of any debts incurred pursuant to the negotiating partnership. Fees, rents, and charges shall not include the adding of a toll or employment of new user fees for any motor vehicle access to a new or existing highway, road, street, highway ramp, or bridge.

(h) That the administering agency may lease, in whole or in part, any facility, building, or property under its control.

(i) That the administering agency may accept grants and donations of property, labor, or other things of value from a public or private source.

(j) That the administering agency may acquire and construct public facilities.

(k) That the negotiating partnership may add reasonable administrative costs for the administering agency as a result of any agreement.

(2) The construction and operation of a public facility authorized in subsection (1) shall be in conformity with all laws relating to the use of state and federal funds.

Sec. 8. (1) The development of the public facility may be financed from 1 or more of the following sources:

(a) Funds from parties to the agreement with the negotiating partnership, under the terms of the agreement.

(b) Funds of the members of the negotiating partnership, as permitted by applicable law.

(c) Fees charged to users of the infrastructure project.

(d) Proceeds from the capture of taxes in a negotiated benefit area under this act or other acts.

(e) Proceeds from a special assessment district.

(f) Federal loans, grants, aid, or appropriations, as permitted by federal law.

(g) Donations, contributions, and gifts.

(h) Any other source as may be accepted by the negotiating partnership.

(2) Money received by the administering agency and not covered under subsection (1) shall immediately be deposited to the credit of the administering agency, subject to disbursement under this act. Except as provided in this act, a municipality or public entity that is part of a negotiating partnership shall not obligate itself, and shall not be obligated, to pay any sums from public funds, other than money received by the municipality or public entity that is part of a negotiating partnership under this section, for or on account of the activities of the administering agency.

Sec. 9. (1) The administering agency on behalf of the negotiating partnership may negotiate with private sector investors or solicit private sector investors through a bid process to secure funding for a public facility.

(2) The administering agency and private sector investor may include the following costs in financing the development of the public facility:

(a) The cost of purchasing, acquiring, constructing, improving, enlarging, extending, or repairing property in connection with the development of a public facility in the negotiated benefit area.

(b) Any engineering, architectural, legal, accounting, or financial expenses.

(c) The rate of interest and return of principal for the private sector investor.

(3) The administering agency on behalf of the negotiating partnership may pledge all or a portion of the tax increment revenues as provided in the negotiating partnership to pay for the public facility. If the revenue generated by the tax increment, as negotiated by the negotiating partnership and the private sector investor, turns out to be insufficient to provide the rate of return expected by the investor, the municipality, the administering agency, and the negotiating partnership are not under any obligation to make up the difference for the investor. The private sector investor shall look solely to the revenue generated by the tax increment projected to generate funds for the interest payments and the principal repayment. The administering agency shall not pledge or commit any other funds of a municipality or public entity that is part of the negotiating partnership to pay for the financing or development of a public facility without the approval of the municipality or public entity that is part of the negotiating partnership.

(4) The administering agency on behalf of the negotiating partnership and the private sector investors shall enter into a written agreement which shall become part of the negotiating partnership and shall contain all of the following:

(a) The amount of the tax increment revenue to be captured for the public facility.

(b) The rate of interest and the return of principal for the private sector investor.

(c) The anticipated rate of growth in the property value within the negotiated benefit area.

(d) The payment schedule from the administering agency and the lead fiduciary agency describing the payments of principal and interest to the private sector investor.

(e) A statement from the private sector investor that they acknowledge that they will be repaid for their investment only from the tax increment revenues described in the negotiating partnership and not from any other funds or property of the municipalities or public entities of the negotiating partnership.

(f) The boundaries of the negotiated benefit area.

Sec. 10. (1) If an administering agency determines that it is necessary for the achievement of the purposes of this act, the administering agency shall prepare and submit a tax increment financing plan to the governing body of the municipality. The tax increment financing plan shall include a detailed plan of the development of the public facility, the designation of boundaries of the negotiated benefit area, a detailed explanation of the tax increment procedure, the maximum amount of indebtedness to be incurred, and the duration of the program, and shall be in compliance with section 11. The tax increment financing plan shall contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the negotiated benefit area is located. The tax increment financing plan may provide for the use of part or all of the captured assessed value, but the portion intended to be used by the administrative agency shall be clearly stated in the tax increment financing plan.

(2) Approval of the tax increment financing plan shall comply with the notice and disclosure provisions of this act.

(3) Before the governing body of the municipality approves the tax increment financing plan, the governing body shall conduct a public hearing on the proposed tax increment financing plan and shall provide reasonable opportunity to the taxing jurisdictions levying taxes subject to capture to meet with the governing body. The administering agency shall fully inform the taxing jurisdictions of the fiscal and economic implications of the proposed negotiated benefit area. The taxing jurisdictions may present their recommendations at the public hearing on the tax increment financing plan. The administering agency may enter into agreements with the taxing jurisdictions and the governing body of the municipality in which the negotiated benefit area is located to share a portion of the captured assessed value of the negotiated benefit area.

(4) A tax increment financing plan may be modified if the modification is approved by the governing body.

(5) Except as otherwise provided in this subsection, not more than 60 days after the approval of the tax increment financing plan, the governing body in a taxing jurisdiction levying ad valorem property taxes that would otherwise be subject to capture may exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality in which it is located and with the administrative agency. A taxing jurisdiction levying

ad valorem property taxes that would be subject to capture may waive the 60-day period described in this subsection by resolution. In the event that the governing body levies a separate millage for public library purposes, at the request of the public library board, that separate millage shall be exempt from the capture. The resolution shall take effect when filed with the clerk and remains effective until a copy of a resolution rescinding that resolution is filed with that clerk.

Sec. 11. (1) The municipal and county treasurers shall transmit tax increment revenues to the lead fiduciary agency designated in the negotiating partnership.

(2) The lead fiduciary agency shall expend the tax increment revenues received for the development program only under the terms of the tax increment financing plan and the negotiating partnership. Unused funds shall revert proportionately to the respective taxing bodies. Tax increment revenues shall not be used to circumvent existing property tax limitations. The governing body of the municipality may abolish the tax increment financing plan if it finds that the purposes for which it was established are accomplished. However, the tax increment financing plan shall not be abolished until the principal of, and interest on, the amounts financed have been paid or funds sufficient to make the payment have been segregated.

(3) Annually, the lead fiduciary agency shall submit to the governing body of each municipality that is part of the negotiating partnership, to the governing body of each taxing jurisdiction in which taxes are captured under this act, and to the state tax commission a report on the status of the tax increment financing account. The report shall include the following:

(a) The amount and source of revenue in the account.

(b) The amount in any reserve account.

(c) The amount and purpose of expenditures from the account.

(d) The amount of principal and interest on any outstanding debt.

(e) The initial assessed value of the negotiated benefit area.

(f) The captured assessed value retained by the administrative agency.

(g) The tax increment revenues received.

(h) The number of public facilities developed.

(i) Any additional information the governing body considers necessary.

Sec. 12. A negotiating partnership that has completed the purposes for which it was organized shall be dissolved by resolution of the governing body of each municipality that was a part of the negotiating partnership. The property and assets of the administering agency remaining after the satisfaction of the obligations of the administering agency belong to the municipalities that are part of the negotiating partnership.

Sec. 13. (1) The state tax commission may institute proceedings to compel enforcement of this act.

(2) The state tax commission may promulgate rules necessary for the administration of this act under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

This act is ordered to take immediate effect.

Richard J. Brown

Clerk of the House of Representatives

Carol Morey Viventi

Secretary of the Senate

Approved

Governor