

CITY OF TROY DOWNTOWN DEVELOPMENT AUTHORITY

TROY DDA QUALITY DEVELOPMENT INITIATIVE (QDI)

Background

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 pursuant to Act 197 of 1975 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.

DDAs provide local governments with unique and flexible tools for encouraging downtown district revitalization including funding long range planning, constructing and improving buildings, acquiring and improving land, and improving public facilities. Projects pursued by DDAs may be financed in a variety of ways including tax increment financing and revenue bonds.

The DDA Act defines public facility to include parking facilities, a street, plaza, pedestrian mall, and any improvements to a street, plaza, or pedestrian mall including street furniture and beautification, park, recreational facility, right-of-way, structure, waterway, bridge, lake, pond, canal, utility line or pipe, building, and access routes to any of the foregoing, designed and dedicated to use by the public generally, or used by a public agency. A public facility also includes the acquisition, construction, improvement, and operation of a building owned or leased by the authority to be used as a retail business incubator.

Troy's DDA district is generally centered on a 3.25 mile stretch of Big Beaver Road from just east of Rochester Road to just west of Coolidge. The Troy DDA seeks to preserve and encourage economic development and redevelopment of the DDA district to ensure that Troy's DDA continues to be a vibrant and prosperous area.

The most recent Troy DDA Plan limits the DDA's authority to use captured revenues to pay principle and interest on the City Bonds, maintenance of public facilities in the Downtown District and administrative costs of the DDA.

Troy DDA Quality Development Initiative (QDI) Rationale

To further the Troy DDA's mission, the QDI is being proposed. Today's successful downtown districts include a mix of land uses, density, open space, multi-modal transportation options (including non-motorized transportation means), vibrant streetscapes with pedestrian activity, high quality development and amenities, natural features, art and culture. Troy's Big Beaver Corridor Study of 2006, Master Plan of 2008 with subsequent update and Zoning Ordinance of 2011 have all had a positive impact on today's DDA district by encouraging key elements that go into a successful downtown. The QDI would provide an additional DDA tool used to further

encourage the development of the key components that make up successful downtown environments.

Parking structures and storm water detention/retention facilities for mixed use developments are often difficult to finance or may not necessarily achieve the quality, scale and scope desired by the local community. The QDI could therefore be a valuable tool to help finance a portion of a project's public improvements and help encourage high quality.

QDI Structure

In the Troy DDA situation we want to encourage mixed use development. These mixed use developments will require parking structures and other public improvements such as storm water detention facilities. Cost of public facilities is one of the financial hurdles for developers. The QDI will provide some gap funding to developers. The developers can finance their developments on the private market and utilize the QDI as an annual cash incentive. The time limit of the QDI is limited by the sunset of the DDA in 2033.

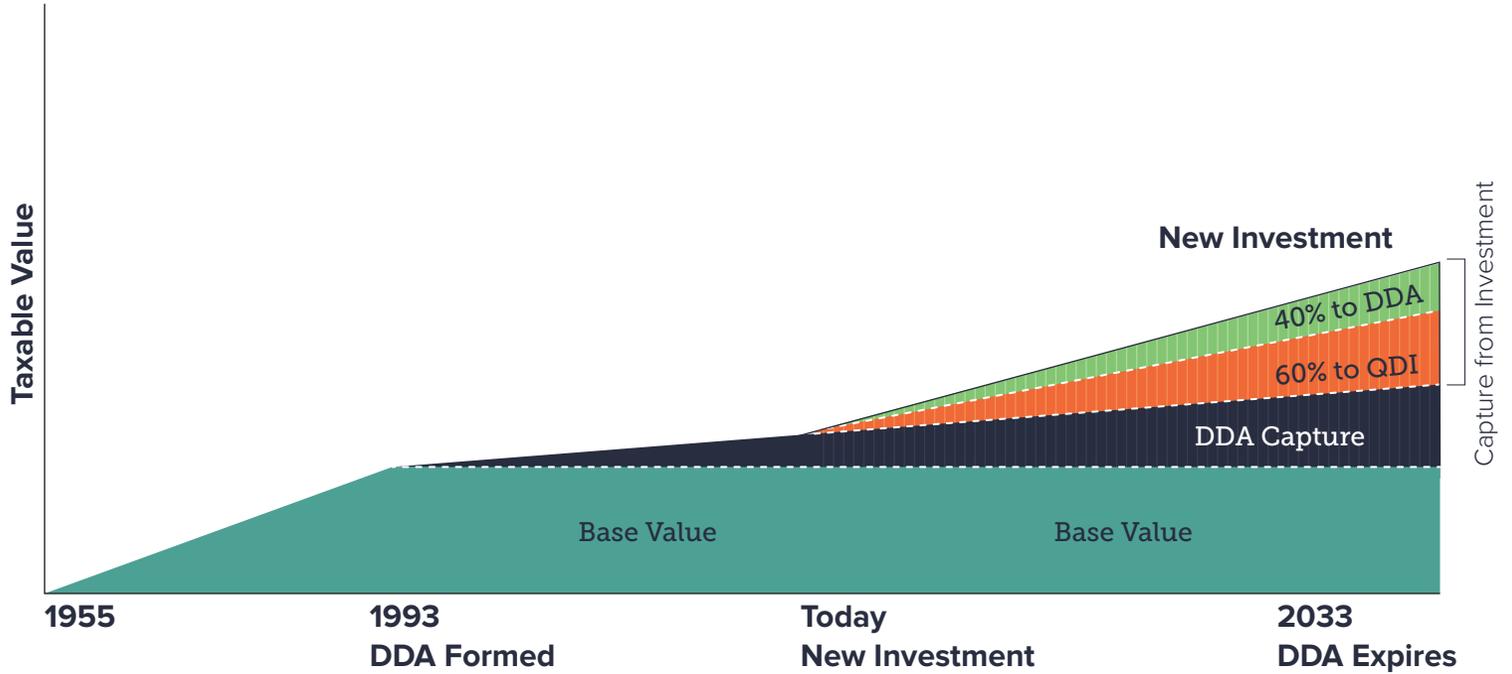
For development and redevelopment projects that significantly improve a mixed use site compared to the previous use, the taxable value of the site will increase upon project completion. Through the DDA district, increases in the taxable value of the property are captured by the DDA to be directed back into the DDA for permitted uses to meet the goals of the DDA. The QDI proposes utilizing 60% of the annual tax increment increase of the target property to be used for public facilities and enhancement. The funds can be used to financially supplement the developer on an annual basis for a portion of the cost of these parking structures. The DDA should have the flexibility to adjust the amount of the annual payment, not to exceed 60% of new investment and its additional tax capture. There should also be flexibility in the length or term of the QDI, but in no case could the annual financial assistance go beyond the life of the DDA, 2033. By providing project financing assistance for parking structures, the DDA can encourage the development of high quality mixed use developments in the DDA district and further contribute to the economic development of Troy's DDA district.

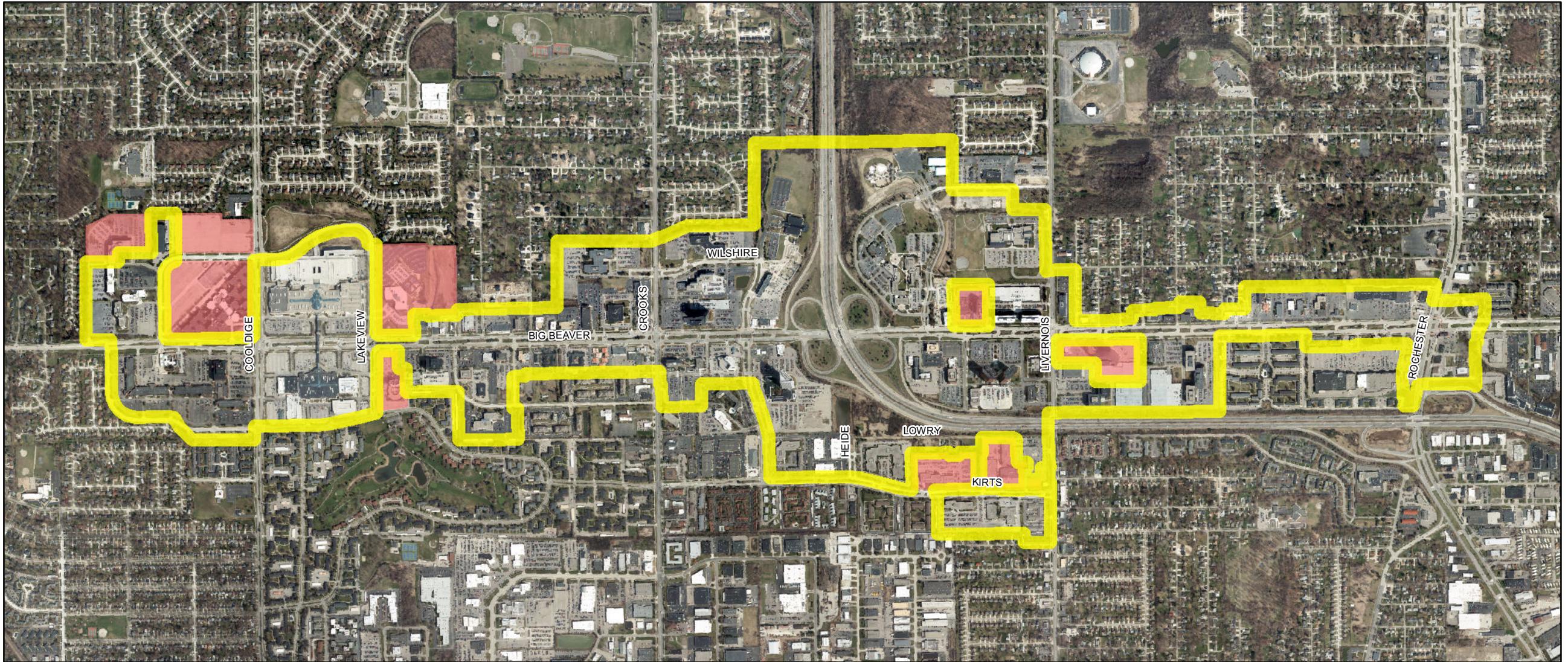
Conclusion

The QDI proposes the use of new investment and additional tax increment funds to encourage the development of high quality mixed use developments. QDI provides annual financial assistance to assist in financing public facilities in the Troy DDA district. The program offers a valuable economic development tool that can help act as a catalyst for the development of mixed use developments that meet the demands of today's market.

Troy Downtown Development Authority

Quality Development Initiative- QDI





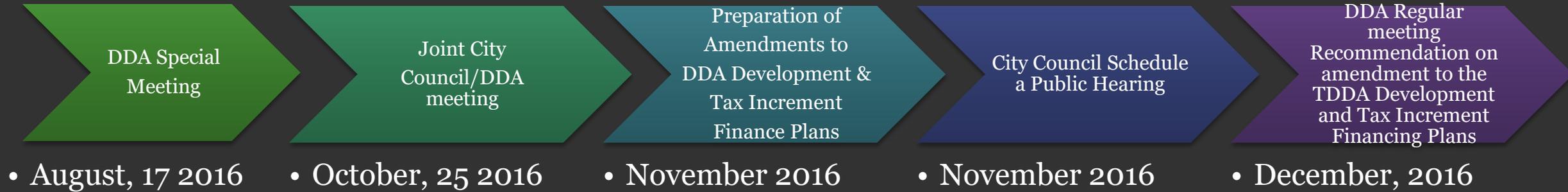
Legend

-  DDA Boundary
-  Development Parcels Excluded From Development & TIF Plans
-  Parcel Boundary

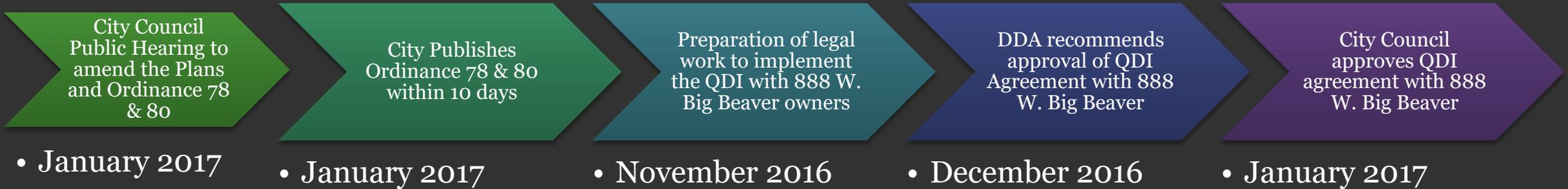
Troy Downtown Development Authority



Troy DDA Quality Development Initiative (QDI)



Troy DDA Quality Development Initiative (QDI)





August 1, 2016

Mr. Brian Kischnick
City Manager
City of Troy
500 W. Big Beaver Road
Troy, MI 48084

RE: 888 West Big Beaver Road

Dear Mr. Kischnick:

As a new property owner in the City of Troy, we have enjoyed working with your team over the last several months and are very excited about the re-development of the City Center property located at 888 West Big Beaver Road.

Upon completion, this upscale mixed use development will center around a brick paved, main street adorned by several restaurant and retail tenants. We will create a vibrant, urban, pedestrian friendly destination featuring art work, custom light fixtures, beautiful landscape and several areas for people to gather. We also plan on constructing approximately 300 luxury apartments. Additionally, we will also renovate the existing 3000,00 sf office building. This project will be unlike anything developed in Troy-a true live, work, play destination!

In order to accomplish the above, we will need to demolish the current, dilapidated parking structure on site and replace it with a new, modern garage which will be for the benefit of the public. We will also need to relocate the current retention pond underground. The current retention serves several other properties including the City road adjacent to the property. The newly constructed underground structure will continue to meet these needs. The parking garage and the underground retention add considerable expense to the project, making it unfeasible without some considerable assistance from the City of Troy.

Understanding that the City does not have the wherewithal to provide capital, we would like to request the use of the DDA's Quality Development Initiative (QDI) in order to bring this exciting project to life.

The garage and retention improvements we will be constructing will cost approximately \$20-\$25 million. We are proposing to capture 80% of the increased taxes from all of the new improvements on the property, which will create a much higher tax base for the City. Such development will also allow the City to recapture the \$3.6 million tax deficit they have incurred at the property, realizing we will not benefit from capture until the \$3.6 million current tax base deficit is realized by the City. This is one reason we have proposed 80%, because effectively we are getting much less than 80% due to the repayment of this past deficit.

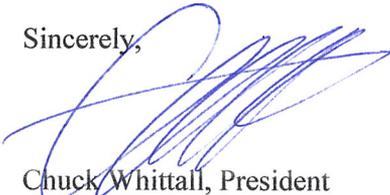
This tax capture is a very small fragment of the capital we will be investing. Therefore, in addition to the tax capture, we would like to request to receive a lump sum payment of \$4.2 million when the City receives the final payment from Somerset in approximately four years. Lastly, we would like to request \$200,000 as a brownfield payment to assist with the demolition with the dilapidated parking structure on site.

We hope you will strongly consider our proposal as well as consider continuing the tax capture proposed for the life of the DDA, and including any extensions following 2033.

This will be a great project for the City and certainly is in harmony with our mutual objectives to create high quality, mixed use development in Troy. It is our goal to start construction on the project in the Spring, so therefore we hope we can come to an agreement and move forward expeditiously.

Thank you for your consideration of our request to participate with the DDA's Quality Development Initiative. We look forward to working with your team, and creating a beautiful destination for the Troy community to live, work, and play!

Sincerely,



Chuck Whittall, President
Unicorp National Developments

888 Big Beaver

Scenario: 60% refund of DDA new capture, incentive for public improvement (Expires w/ DDA Plan) and 40% new capture, revenue for DDA (Expires w/ DDA Plan)

Value on 1/1	Taxable Value Capture	Tax Capture 16.63 mills	Tax Capture 60%	Tax Capture 40%
2017	4,384,668	72,917	43,750	29,167
2018	22,529,378	374,664	224,798	149,865
2019	36,852,985	612,865	367,719	245,146
2020	37,221,515	618,994	371,396	247,598
2021	37,593,730	625,184	375,110	250,073
2022	37,969,667	631,436	378,861	252,574
2023	38,349,364	637,750	382,650	255,100
2024	38,732,858	644,127	386,476	257,651
2025	39,120,186	650,569	390,341	260,227
2026	39,511,388	657,074	394,245	262,830
2027	39,906,502	663,645	398,187	265,458
2028	40,305,567	670,282	402,169	268,113
2029	40,708,623	676,984	406,191	270,794
2030	41,115,709	683,754	410,253	273,502
2031	41,526,866	690,592	414,355	276,237
2032	41,942,135	697,498	418,499	278,999
2033	42,361,556	704,473	422,684	281,789
DDA Expired	-	-	-	-
	-	-	-	-
	-	-	-	-
Total		10,312,807	6,187,684	4,125,123

Major Assumptions:

- 1.) Assumes full investment of \$80,051,000 by year 3
- 2.) Assumes 1% increase in Taxable Value Capture starting year 4

888 Big Beaver

Scenario: 70% refund of DDA new capture, incentive for public improvement (Expires w/ DDA Plan) and 30% new capture, revenue for DDA (Expires w/ DDA Plan)

Value on 1/1	Taxable Value Capture	Tax Capture 16.63 mills	Tax Capture 70%	Tax Capture 30%
2017	4,384,668	72,917	51,042	21,875
2018	22,529,378	374,664	262,264	112,399
2019	36,852,985	612,865	429,006	183,860
2020	37,221,515	618,994	433,296	185,698
2021	37,593,730	625,184	437,629	187,555
2022	37,969,667	631,436	442,005	189,431
2023	38,349,364	637,750	446,425	191,325
2024	38,732,858	644,127	450,889	193,238
2025	39,120,186	650,569	455,398	195,171
2026	39,511,388	657,074	459,952	197,122
2027	39,906,502	663,645	464,552	199,094
2028	40,305,567	670,282	469,197	201,084
2029	40,708,623	676,984	473,889	203,095
2030	41,115,709	683,754	478,628	205,126
2031	41,526,866	690,592	483,414	207,178
2032	41,942,135	697,498	488,248	209,249
2033	42,361,556	704,473	493,131	211,342
DDA Expired	-	-	-	-
	-	-	-	-
	-	-	-	-
Total		10,312,807	7,218,965	3,093,842

Major Assumptions:

- 1.) Assumes full investment of \$80,051,000 by year 3
- 2.) Assumes 1% increase in Taxable Value Capture starting year 4

888 Big Beaver

Scenario: 80% refund of DDA new capture, incentive for public improvement (Expires w/ DDA Plan) and 20% new capture, revenue for DDA (Expires w/ DDA Plan)

Value on 1/1	Taxable Value Capture	Tax Capture 16.63 mills	Tax Capture 80%	Tax Capture 20%
2017	4,384,668	72,917	58,334	14,583
2018	22,529,378	374,664	299,731	74,933
2019	36,852,985	612,865	490,292	122,573
2020	37,221,515	618,994	495,195	123,799
2021	37,593,730	625,184	500,147	125,037
2022	37,969,667	631,436	505,148	126,287
2023	38,349,364	637,750	510,200	127,550
2024	38,732,858	644,127	515,302	128,825
2025	39,120,186	650,569	520,455	130,114
2026	39,511,388	657,074	525,660	131,415
2027	39,906,502	663,645	530,916	132,729
2028	40,305,567	670,282	536,225	134,056
2029	40,708,623	676,984	541,588	135,397
2030	41,115,709	683,754	547,003	136,751
2031	41,526,866	690,592	552,473	138,118
2032	41,942,135	697,498	557,998	139,500
2033	42,361,556	704,473	563,578	140,895
DDA Expired	-	-	-	-
	-	-	-	-
	-	-	-	-
Total		10,312,807	8,250,245	2,062,561

Major Assumptions:

- 1.) Assumes full investment of \$80,051,000 by year 3
- 2.) Assumes 1% increase in Taxable Value Capture starting year 4