



500 West Big Beaver
Troy, MI 48084
troymi.gov

I-07

CITY COUNCIL AGENDA ITEM

Date: May 1, 2019

To: The Honorable Mayor and City Council Members

From: Mark F. Miller, City Manager
Thomas Darling, Director of Financial Services

Subject: Approval of the Troy Downtown Development Authority's Proposed Fiscal Year 2019/20 and Three -Year Budget (***Introduced by: Mark F. Miller, City Manager***)

The Downtown Development Authority (DDA) approved their proposed 2019/20 budget and three year budget at the April 17, 2019 DDA meeting.

The City-captured tax rate of 10.2481 mills, Oakland County 4.4878 mills and Oakland County Community College 1.5431 mills was used in determining the DDA property tax revenue, based on a captured taxable value of \$111,691,220 in fiscal year 2019/20, with a projected property tax revenue of \$1,818,220.

The very positive tax revenue reflects the October 2013 amendment to the DDA Tax Increment Financing and Development Plan. This Plan corrected the negative tax capture and eliminated the potential for default of three bond issues. While the City of Troy issued bonds backed by the full faith and credit of the City, including its AAA bond rating to pay off the three DDA bond series. The Plan amendment limits the DDA to four functions: debt service, maintenance cost, Quality Development Initiative (QDI) modest marketing and administrative fees. In fiscal year 2018/19 the DDA will generate sufficient revenue to pay for both the bonds and other costs of \$1,255,090. In conclusion the DDA Plan is working well covering all expenditures.

The DDA's proposed fiscal year 2019/20 and Three – Year budget is hereby submitted to City Council for their approval.

DOWNTOWN DEVELOPMENT AUTHORITY BUDGET



2019/2020 Budget



Downtown Development Authority

County of Oakland, State of Michigan

2019/20 through 2021/22 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, October 7, 2013 and July 24, 2017.

The TDDA in its first six Tax Increment Financing and Development Plans 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 Plans are 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.

The TDDA issued three separate bond issues in 2001, 2002 and 2003. The bonds were “naked tax increment bonds” secured solely by the tax increment revenues to be derived from the properties in the Downtown District. This is rare in Michigan and was based on the then perceived strength of the Downtown District’s taxable values and the ability of properties in the Downtown District to generate sufficient tax increment revenues to pay the debt service on the bonds. While the City has a AAA rating, its full faith and credit was not utilized or pledged for these three bond issues.



Downtown Development Authority

County of Oakland, State of Michigan

The initial value of the district in 1993 was \$309,192,270. In comparison, the projected value for 2019/2020 is \$420,883,490 and the captured value is \$111,691,220. Prior to 2013, there was a decreased separation between the base year value and current taxable value, which created a revenue stream reduction trending toward elimination. This created a situation in which the TDDA would not be able to service the three bond issues and default was imminent.

On October 7, 2013, a new Tax Increment Financing and Development Plan was approved. The revised Plan eliminated properties that were a negative draw on the aggregate value of the TDDA. The Plan authorized three functions: debt service, maintenance costs and administrative fees. In addition, the TDDA and Plan were extended to 2033. Finally, the City of Troy issued bonds backed by the full faith and credit of the City, including its AAA bond rating to pay off the three TDDA bond series. In conclusion, this budget demonstrates that the revision of the Plan provides for sufficient revenue to service the City of Troy bonds and thereby eliminates the threat of default of the TDDA bonds.

On July 24, 2017 the Development Plan was amended to authorize the Quality Development Initiative (QDI). The QDI utilizes 60% of the annual tax increment increase of the target property to be used for public facilities and enhancement. The funds may be used to financially assist a developer on an annual basis for a portion of the cost of needed public improvements. The DDA is now allowed to use surplus funds after servicing the "City Bonds", for modest marketing expenditures, in addition to maintenance and administrative costs.



Downtown Development Authority

County of Oakland, State of Michigan

2019/20 through 2021/22 Budget

	2018 Actual	2019 Estimated	2019 Budget	2020 Budget	2021 Budget	2022 Budget
REVENUE						
Property Taxes	\$ 1,391,451	\$ 1,640,800	\$ 1,642,050	\$ 1,818,220	\$ 1,959,270	\$ 2,166,500
State Revenue Sharing-EMPP	28,364	-	25,000	-	-	-
Parking Deck Repayment	-	-	-	-	4,035,170	-
Interest Income	1,301	1,000	100	1,000	1,000	1,000
Total Revenues	1,421,116	1,641,800	1,667,150	1,819,220	5,995,440	2,167,500
EXPENDITURES						
Administrative Expenses	25,500	26,000	26,000	26,000	26,500	27,000
Audit Fees	3,100	3,100	3,160	3,160	3,220	3,290
Tax Tribunals	11,932	15,000	25,000	25,000	25,000	25,000
Quality Development Initiative (QDI)	-	-	-	15,130	30,250	45,380
Big Beaver Corridor Maintenance	216,379	282,720	276,030	252,590	256,730	260,940
Debt Service-Series 2013	931,513	923,700	923,700	923,700	914,600	1,013,700
District Promotion	-	-	-	25,000	25,000	25,000
Other expenditures	145	1,200	1,200	1,200	1,200	1,200
TOTAL - EXPENDITURES	1,188,569	1,251,720	1,255,090	1,271,780	1,282,500	1,401,510
SURPLUS (USE) OF FUND BALANCE	232,547	390,080	412,060	547,440	4,712,940	765,990
BEGINNING FUND BALANCE	314,114	546,661	546,661	936,741	1,484,181	6,197,121
ENDING FUND BALANCE	\$ 546,661	\$ 936,741	\$ 958,721	\$ 1,484,181	\$ 6,197,121	\$ 6,963,111

Captured Taxable Value

	2019/20 Taxable	2020/21 Taxable	2021/22 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	\$ 244,924,440	\$ 244,924,440	\$ 244,924,440
Real Taxable Value	321,085,080	327,503,596	338,085,622
Real Captured Value	76,160,640	82,579,156	93,161,182
Personal Base Taxable Value (1993 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	99,798,410	102,044,330	104,192,109
Personal Captured Value	35,530,580	37,776,500	39,924,279
Total Captured Value	\$ 111,691,220	\$ 120,355,656	\$ 133,085,461
	Oakland County	Oakland Comm. College	City of Troy
Millage Rates	4.4878	1.5431	10.2481
			Total
			16.279



Downtown Development Authority

County of Oakland, State of Michigan

Projected Tax Capture to Debt Schedule

Year	Revenues			Debt Service - Series 2013			
	Total Taxable Value	Captured Taxable Value	Captured Tax Revenues 16.279	Principal	Interest	Total Debt Service	Net
2019/2020	420,883,490	111,691,220	1,818,220	260,000	654,363	914,363	903,857
2020/2021	429,547,926	120,355,656	1,959,270	375,000	638,488	1,013,488	945,782
2021/2022	442,277,731	133,085,461	2,166,500	440,000	618,113	1,058,113	1,108,387
2022/2023*	451,255,969	142,063,699	2,312,650	500,000	594,613	1,094,613	1,218,037
2023/2024	460,416,465	151,224,195	2,461,780	600,000	567,113	1,167,113	1,294,667
2024/2025	469,762,919	160,570,649	2,613,930	745,000	537,213	1,282,213	1,331,717
2025/2026	479,299,107	170,106,837	2,769,170	900,000	499,813	1,399,813	1,369,357
2026/2027	489,028,878	179,836,608	2,927,560	975,000	452,938	1,427,938	1,499,622
2027/2028	498,956,165	189,763,895	3,089,170	1,250,000	403,563	1,653,563	1,435,607
2028/2029	509,084,975	199,892,705	3,254,050	1,250,000	352,781	1,602,781	1,651,269
2029/2030	519,419,400	210,227,130	3,422,290	1,250,000	294,188	1,544,188	1,878,102
2030/2031	529,963,614	220,771,344	3,593,940	1,275,000	227,906	1,502,906	2,091,034
2031/2032	540,721,875	231,529,605	3,769,070	1,275,000	160,969	1,435,969	2,333,101
2032/2033	551,698,529	242,506,259	3,947,760	1,275,000	94,031	1,369,031	2,578,729
2033/2034	562,898,009	253,705,739	4,130,080	1,275,000	30,281	1,305,281	2,824,799

* = 2.03% Increase



Downtown Development Authority

County of Oakland, State of Michigan

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 results from applying the total tax levy of taxing units within the development area to the captured taxable value.

Increases 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.



Downtown Development Authority

County of Oakland, State of Michigan

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 notification 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.