



Downtown Development Authority

County of Oakland, State of Michigan

2018/19 through 2020/21 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.



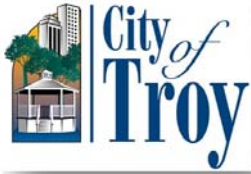
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The initial value of the district in 1993 was \$439,230,530. At the height of the aggregate value for the TDDA, the value peaked at \$700,929,970 and captured value was \$83,622,380. In comparison, the projected value for 2018/2019 is \$409,667,440 and the captured value is \$100,475,170. The reduction in the separation between the base year value and current taxable value 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).



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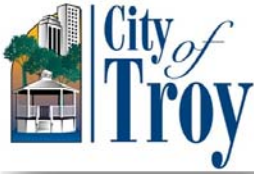
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	2017 Actual	2018 Estimated	2018 Budget	2019 Budget	2020 Budget	2021 Budget
REVENUE						
Property Taxes	\$ 1,294,097	\$ 1,304,000	\$ 1,304,000	\$ 1,642,050	\$ 1,802,590	\$ 1,967,090
State Revenue Sharing-EMPP	35,181	28,360	35,200	25,000	25,000	25,000
Parking Deck Repayment	-	-	-	-	-	4,035,170
Interest Income	69	100	3,000	100	100	100
Total Revenues	1,329,347	1,332,460	1,342,200	1,667,150	1,827,690	6,027,360
EXPENDITURES						
Administrative Expenses	25,000	25,500	25,500	26,000	26,500	27,000
Audit Fees	3,070	3,100	3,100	3,160	3,220	3,290
Tax Tribunals	5,286	25,000	50,000	25,000	25,000	25,000
Big Beaver Corridor Maintenance	186,095	232,280	183,290	276,030	248,280	252,510
Debt Service-Series 2013	941,788	931,500	931,500	923,700	914,600	1,013,700
Other expenditures	1,234	1,200	1,000	1,200	1,200	1,200
TOTAL - EXPENDITURES	1,162,473	1,218,580	1,194,390	1,255,090	1,218,800	1,322,700
SURPLUS (USE) OF FUND BALANCE	166,874	113,880	147,810	412,060	608,890	4,704,660
BEGINNING FUND BALANCE	147,240	314,114	314,114	427,994	840,054	1,448,944
ENDING FUND BALANCE	\$ 314,114	\$ 427,994	\$ 461,924	\$ 840,054	\$ 1,448,944	\$ 6,153,604

Captured Taxable Value

	2018/19 Taxable	2019/20 Taxable	2020/21 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	\$ 244,924,440	\$ 244,924,440	\$ 244,924,440
Real Taxable Value	309,325,190	317,053,609	324,975,190
Real Captured Value	64,400,750	72,129,169	80,050,750
Personal Base Taxable Value (1993 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	100,342,250	102,437,091	104,581,134
Personal Captured Value	36,074,420	38,169,261	40,313,304
Total Captured Value	\$ 100,475,170	\$ 110,298,430	\$ 120,364,054
	Oakland County	Oakland Comm. College	City of Troy
Millage Rates	4.4908	1.5555	10.2965
			Total
			16.3428



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Projected Tax Capture to Debt Schedule

Year	Revenues			Debt Service - Series 2013			
	Total Taxable Value	Captured Taxable Value	Captured Tax Revenues 16.3428	Principal	Interest	Total Debt Service	Net
2018/2019	\$ 409,667,440	\$ 100,475,170	\$ 1,642,050	\$ 260,000	\$ 663,463	\$ 923,463	\$ 718,587
2019/2020	419,490,699	110,298,429	1,802,590	260,000	654,363	914,363	888,227
2020/2021	429,556,325	120,364,055	1,967,090	375,000	638,488	1,013,488	953,602
2021/2022	439,870,243	130,677,973	2,135,640	440,000	618,113	1,058,113	1,077,527
2022/2023	450,438,524	141,246,254	2,308,360	500,000	594,613	1,094,613	1,213,747
2023/2024 *	461,249,049	152,056,779	2,485,030	600,000	567,113	1,167,113	1,317,917
2024/2025	472,319,026	163,126,756	2,665,950	745,000	537,213	1,282,213	1,383,737
2025/2026	483,654,683	174,462,413	2,851,200	900,000	499,813	1,399,813	1,451,387
2026/2027	495,262,395	186,070,125	3,040,910	975,000	452,938	1,427,938	1,612,972
2027/2028	507,148,692	197,956,422	3,235,160	1,250,000	403,563	1,653,563	1,581,597
2028/2029	519,320,261	210,127,991	3,434,080	1,250,000	352,781	1,602,781	1,831,299
2029/2030	531,783,947	222,591,677	3,637,770	1,250,000	294,188	1,544,188	2,093,582
2030/2031	544,546,762	235,354,492	3,846,350	1,275,000	227,906	1,502,906	2,343,444
2031/2032	557,615,884	248,423,614	4,059,940	1,275,000	160,969	1,435,969	2,623,971
2032/2033	570,998,665	261,806,395	4,278,650	1,275,000	94,031	1,369,031	2,909,619
2033/2034	584,702,633	275,510,363	4,502,610	1,275,000	30,281	1,305,281	3,197,329

* = 2.4% Increase



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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.



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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.