

CITY OF TROY | 2017/2018

Downtown Development Authority Budget

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Downtown Development Authority

County of Oakland, State of Michigan

2017/18 through 2019/20 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 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.

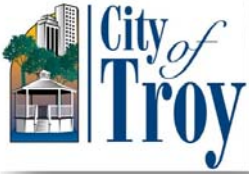


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The initial value of the district in 1993 was \$439,230,530. At the height of the aggregate value for the TDDA, the value peaked at \$700,929,970 and captured value was \$83,622,380. In comparison, the projected value for 2017/2018 is \$392,814,650 and the captured value is \$79,734,783. 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.



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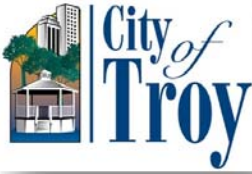
2017/18 through 2019/20 Budget

	2016 Actual	2017 Estimated	2017 Budget	2018 Budget	2019 Budget	2020 Budget
REVENUE						
Property Taxes	\$ 1,074,129	\$ 1,192,200	\$ 1,228,200	\$ 1,304,000	\$ 1,361,420	\$ 1,425,910
State Revenue Sharing-EMPP	-	35,180	-	35,200	35,200	35,200
Interest Income	4,883	3,000	3,000	3,000	3,000	3,000
Total Revenues	1,079,012	1,230,380	1,231,200	1,342,200	1,399,620	1,464,110
EXPENDITURES						
Administrative Expenses	-	25,000	25,000	25,500	26,000	26,500
Audit Fees	3,070	3,070	3,070	3,100	3,100	3,100
Tax Tribunals	44,795	12,000	100,000	50,000	50,000	50,000
Big Beaver Corridor Maintenance	135,221	195,390	177,550	183,290	188,100	191,950
Debt Service-Series 2013	951,013	941,900	941,900	931,500	923,700	914,600
Other expenditures	210	500	1,000	1,000	1,000	1,000
TOTAL - EXPENDITURES	1,134,309	1,177,860	1,248,520	1,194,390	1,191,900	1,187,150
SURPLUS (USE) OF FUND BALANCE	(55,297)	52,520	(17,320)	147,810	207,720	276,960
BEGINNING FUND BALANCE	202,537	147,240	147,240	199,760	347,570	555,290
ENDING FUND BALANCE	\$ 147,240	\$ 199,760	\$ 129,920	\$ 347,570	\$ 555,290	\$ 832,250

Captured Taxable Value

	2017/18 Taxable	2018/19 Taxable	2019/20 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	\$ 244,924,440	\$ 244,924,440	\$ 244,924,440
Real Taxable Value	287,767,050	290,644,721	293,551,168
Real Captured Value	42,842,610	45,720,281	48,626,728
Personal Base Taxable Value (1193 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	100,631,420	101,241,545	102,252,287
Personal Captured Value	36,363,590	36,973,715	37,984,457
Total Captured Value	\$ 79,206,200	\$ 82,693,996	\$ 86,611,185

	Oakland County	Oakland Comm. College	City of Troy	Total
Millage Rates	4.4938	1.5707	10.3989	16.4634



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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 16.4634	Principal	Interest	Total Debt Service	Net
2017/2018	388,398,470	79,206,200	1,304,000	260,000	671,263	931,263	372,737
2018/2019	391,886,265	82,693,995	1,361,420	260,000	663,463	923,463	437,957
2019/2020	395,803,454	86,611,184	1,425,910	260,000	654,363	914,363	511,547
2020/2021	399,759,815	90,567,545	1,491,050	375,000	638,488	1,013,488	477,562
2021/2022	403,755,740	94,563,470	1,556,840	440,000	618,113	1,058,113	498,727
2022/2023*	407,793,297	98,601,027	1,623,310	500,000	594,613	1,094,613	528,697
2023/2024	411,871,230	102,678,960	1,690,440	600,000	567,113	1,167,113	523,327
2024/2025**	420,108,655	110,916,385	1,826,060	745,000	537,213	1,282,213	543,847
2025/2026	428,510,828	119,318,558	1,964,390	900,000	499,813	1,399,813	564,577
2026/2027	437,081,045	127,888,775	2,105,480	975,000	452,938	1,427,938	677,542
2027/2028	445,822,666	136,630,396	2,249,400	1,250,000	403,563	1,653,563	595,837
2028/2029	454,739,119	145,546,849	2,396,200	1,250,000	352,781	1,602,781	793,419
2029/2030	463,833,901	154,641,631	2,545,930	1,250,000	294,188	1,544,188	1,001,742
2030/2031	473,110,579	163,918,309	2,698,650	1,275,000	227,906	1,502,906	1,195,744
2031/2032	482,572,791	173,380,521	2,854,430	1,275,000	160,969	1,435,969	1,418,461
2032/2033	492,224,247	183,031,977	3,013,330	1,275,000	94,031	1,369,031	1,644,299
2033/2034	502,068,732	192,876,462	3,175,400	1,275,000	30,281	1,305,281	1,870,119

* = 1.0% Increase

** = 2% 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.