



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## CITY COUNCIL AGENDA ITEM

Date: April 16, 2024

To: Frank Nastasi, City Manager and TDDA Executive Director



From: Robert J. Bruner, Deputy City Manager  
Chris Wilson, Assistant City Manager  
Robert Maleszyk, Chief Financial Officer and TDDA Treasurer

Subject: Approval of the Troy Downtown Development Authority (TDDA) Proposed Fiscal Year 2025/26 and Three-Year Budget  
(Introduced by: Robert Maleszyk - Chief Financial Officer and Kyle Vieth - Controller)

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### **Background**

The Troy Downtown Development Authority (TDDA) adopted its proposed 2025/26 and Three-Year Budget at the April 16, 2025 TDDA meeting.

### **Recommendation**

City Management recommends that City Council approve the TDDA's proposed 2025/26 and Three-Year Budget.



## *Downtown Development Authority*

County of Oakland, State of Michigan

2025/26 through 2027/28 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) which was recodified as 2018 PA 57. 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, July 24, 2017, and June 28, 2021.

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, 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 taxable value for 2025/2026 is \$520,070,500 and the captured value is \$210,878,230. 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. 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. Lastly, the 2013 bonds were refinanced in October 2020 to further reduce both principal and interest and again lessen 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".

The last Plan Revision was approved by the Troy City Council on June 28, 2021.



## Downtown Development Authority

County of Oakland, State of Michigan

### 2025/26 through 2027/28 Budget

|                                      | 2024<br>Actual      | 2025<br>Estimated   | 2025<br>Budget      | 2026<br>Budget      | 2027<br>Budget      | 2028<br>Budget      |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>REVENUE</b>                       |                     |                     |                     |                     |                     |                     |
| Property Taxes                       | \$ 2,717,743        | \$ 2,929,719        | \$ 3,033,760        | \$ 3,366,730        | \$ 3,505,150        | \$ 3,646,340        |
| State Revenue Sharing-EMPP           | -                   | -                   | -                   | -                   | -                   | -                   |
| Interest Income/Other                | 183,918             | 150,000             | 80,000              | 120,000             | 120,000             | 120,000             |
| <b>Total Revenues</b>                | <b>2,901,661</b>    | <b>3,079,719</b>    | <b>3,113,760</b>    | <b>3,486,730</b>    | <b>3,625,150</b>    | <b>3,766,340</b>    |
| <b>EXPENDITURES</b>                  |                     |                     |                     |                     |                     |                     |
| Administrative Expenses              | 54,000              | 59,000              | 59,700              | 61,360              | 65,000              | 66,950              |
| Tax Tribunals                        | -                   | -                   | 25,000              | 25,000              | 25,000              | 25,000              |
| Quality Development Initiative (QDI) | -                   | -                   | 365,000             | 365,000             | 379,600             | 394,784             |
| Big Beaver Corridor Maintenance      | 372,439             | 597,480             | 599,166             | 623,133             | 662,541             | 682,417             |
| Corridor and Pedestrian Improvements | 391,151             | 2,584,133           | 2,584,133           | 3,000,000           | 2,000,000           | 2,000,000           |
| Debt Service-Series 2013/2020        | 702,857             | 819,107             | 819,107             | 938,284             | 965,135             | 1,188,472           |
| District Promotion                   | 5,000               | 25,000              | 25,000              | 35,000              | 35,000              | 35,000              |
| Other expenditures                   | 661                 | 1,500               | 1,500               | 1,500               | 1,500               | 1,500               |
| <b>TOTAL - EXPENDITURES</b>          | <b>1,526,108</b>    | <b>4,086,220</b>    | <b>4,478,606</b>    | <b>5,049,277</b>    | <b>4,133,776</b>    | <b>4,394,123</b>    |
| <b>SURPLUS (USE) OF FUND BALANCE</b> | <b>1,375,553</b>    | <b>(1,006,501)</b>  | <b>(1,364,846)</b>  | <b>(1,562,547)</b>  | <b>(508,626)</b>    | <b>(627,783)</b>    |
| BEGINNING FUND BALANCE               | 3,810,128           | 5,185,681           | 5,185,681           | 4,179,180           | 2,616,633           | 2,108,007           |
| <b>ENDING FUND BALANCE</b>           | <b>\$ 5,185,681</b> | <b>\$ 4,179,180</b> | <b>\$ 3,820,835</b> | <b>\$ 2,616,633</b> | <b>\$ 2,108,007</b> | <b>\$ 1,480,224</b> |

### Captured Taxable Value

|   | 2025/26<br>Taxable    | 2026/27<br>Taxable    | 2027/28<br>Taxable    |
|---|-----------------------|-----------------------|-----------------------|
| Real Base Taxable Value (1993 initial/Revised 2013)     | \$ 244,924,440        | \$ 244,924,440        | \$ 244,924,440        |
| Real Taxable Value                                      | 433,492,130           | 442,161,973           | 451,005,212           |
| <b>Real Captured Value</b>                              | <b>188,567,690</b>    | <b>197,237,533</b>    | <b>206,080,772</b>    |
| Personal Base Taxable Value (1993 initial/Revised 2013) | 64,267,830            | 64,267,830            | 64,267,830            |
| Personal Taxable Value                                  | 86,578,370            | 86,578,370            | 86,578,370            |
| <b>Personal Captured Value</b>                          | <b>22,310,540</b>     | <b>22,310,540</b>     | <b>22,310,540</b>     |
| <b>Total Captured Value</b>                             | <b>\$ 210,878,230</b> | <b>\$ 219,548,073</b> | <b>\$ 228,391,312</b> |

|                      | Oakland<br>County | Oakland<br>Comm. College | City of<br>Troy | Total   |
|----------------------|-------------------|--------------------------|-----------------|---------|
| <b>Millage Rates</b> | 5.7565            | 1.4836                   | 8.7252          | 15.9653 |



## Downtown Development Authority

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### Projected Tax Capture to Debt Schedule

| Year        | Revenues            |                        |                               | Debt Service - Series 2013 and Series 2020 |          |                    |           |
|-------------|---------------------|------------------------|-------------------------------|--|----------|--------------------|-----------|
|             | Total Taxable Value | Captured Taxable Value | Captured Tax Revenues 15.9653 | Principal                                  | Interest | Total Debt Service | Net       |
| 2025/2026   | 520,070,500         | 210,878,230            | 3,366,730                     | 805,000                                    | 133,284  | 938,284            | 2,428,446 |
| 2026/2027   | 528,740,343         | 219,548,073            | 3,505,150                     | 840,000                                    | 125,135  | 965,135            | 2,540,015 |
| 2027/2028   | 537,583,582         | 228,391,312            | 3,646,340                     | 1,075,000                                  | 113,472  | 1,188,472          | 2,457,868 |
| 2028/2029** | 548,335,254         | 239,142,984            | 3,817,990                     | 1,040,000                                  | 98,180   | 1,138,180          | 2,679,810 |
| 2029/2030   | 559,301,959         | 250,109,689            | 3,993,080                     | 1,000,000                                  | 81,125   | 1,081,125          | 2,911,955 |
| 2030/2031   | 570,487,998         | 261,295,728            | 4,171,660                     | 975,000                                    | 63,623   | 1,038,623          | 3,133,037 |
| 2031/2032   | 581,897,758         | 272,705,488            | 4,353,820                     | 930,000                                    | 45,561   | 975,561            | 3,378,259 |
| 2032/2033   | 593,535,713         | 284,343,443            | 4,539,630                     | 880,000                                    | 27,266   | 907,266            | 3,632,364 |
| 2033/2034   | 605,406,427         | 296,214,157            | 4,729,150                     | 835,000                                    | 9,072    | 844,072            | 3,885,078 |

\*\* = 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.