



500 West Big Beaver
Troy, MI 48084
troymi.gov

CITY COUNCIL AGENDA ITEM



Date: April 28, 2021

To: Mark F. Miller, City Manager

From: Robert J. Bruner, Assistant City Manager
Robert Maleszyk, Chief Financial Officer
Glenn Lapin, Economic Development Specialist

Subject: Approval of the Troy Downtown Development Authority (TDDA) Proposed Fiscal Year 2021/22 and Three-Year Budget

The Troy Downtown Development Authority (TDDA) recommended approval of its proposed 2021/22 and Three-Year Budget at the April 21, 2021 TDDA meeting. City management recommends that City Council approve the TDDA's proposed 2021/22 and Three-Year Budget.



Downtown Development Authority

County of Oakland, State of Michigan

2021/22 through 2023/24 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 \$309,192,270. In comparison, the projected value for 2021/2022 is \$407,928,380 and the captured value is \$98,736,110. 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", for modest marketing expenditures, in addition to maintenance and administrative costs.



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2021/22 through 2023/24 Budget

	2020 Actual	2021 Estimated	2021 Budget	2022 Budget	2023 Budget	2024 Budget
REVENUE						
Property Taxes	\$ 1,763,992	\$ 1,792,440	\$ 1,792,440	\$ 1,482,770	\$ 1,987,160	\$ 2,269,050
State Revenue Sharing-EMPP	-	-	-	-	-	-
Parking Deck Repayment	-	4,029,736	4,035,170	-	-	-
Interest Income	45,244	25,000	10,000	10,000	10,000	10,000
Total Revenues	1,809,236	5,847,176	5,837,610	1,492,770	1,997,160	2,279,050
EXPENDITURES						
Administrative Expenses	26,500	27,000	27,000	50,000	51,000	52,000
Audit Fees	5,100	3,200	3,220	3,300	3,400	3,500
Tax Tribunals	10,833	25,000	25,000	25,000	25,000	25,000
Quality Development Initiative (QDI)	13,080	30,250	30,250	45,380	45,380	45,380
Big Beaver Corridor Maintenance	171,248	289,685	338,155	314,635	310,115	315,065
Debt Service-Series 2013/2020	914,613	3,990,712	1,013,738	596,663	629,895	702,857
District Promotion	-	25,000	25,000	25,000	25,000	25,000
Other expenditures	-	1,200	1,200	1,200	1,200	1,200
TOTAL - EXPENDITURES	1,141,374	4,392,047	1,463,563	1,061,178	1,090,990	1,170,002
SURPLUS (USE) OF FUND BALANCE	667,862	1,455,129	4,374,047	431,592	906,170	1,109,048
BEGINNING FUND BALANCE	1,003,560	1,671,422	1,671,422	3,126,551	3,558,143	4,464,313
ENDING FUND BALANCE	\$ 1,671,422	\$ 3,126,551	\$ 6,045,469	\$ 3,558,143	\$ 4,464,313	\$ 5,573,361

Captured Taxable Value

	2021/22 Taxable	2022/23 Taxable	2023/24 Taxable
Real Base Taxable Value (1993 initial/Revised 2013)	\$ 244,924,440	\$ 244,924,440	\$ 244,924,440
Real Taxable Value	320,436,970	352,389,765	369,971,262
Real Captured Value	75,512,530	107,465,325	125,046,822
Personal Base Taxable Value (1993 initial/Revised 2013)	64,267,830	64,267,830	64,267,830
Personal Taxable Value	87,491,410	89,125,716	90,314,469
Personal Captured Value	23,223,580	24,857,886	26,046,639
Total Captured Value	\$ 98,736,110	\$ 132,323,211	\$ 151,093,461
	Oakland County	Oakland Comm. College	City of Troy
Millage Rates	4.5785	1.5177	8.9213
			15.0175



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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 15.0175	Principal	Interest	Total Debt Service	Net
2021/2022	407,928,380	98,736,110	1,482,770	440,000	156,663	596,663	886,107
2022/2023	441,515,481	132,323,211	1,987,160	485,000	144,895	629,895	1,357,265
2023/2024	460,285,731	151,093,461	2,269,050	560,000	142,857	702,857	1,566,193
2024/2025**	469,491,446	160,299,176	2,407,290	680,000	139,107	819,107	1,588,183
2025/2026	478,881,275	169,689,005	2,548,300	805,000	133,284	938,284	1,610,016
2026/2027	488,458,900	179,266,630	2,692,140	840,000	125,135	965,135	1,727,005
2027/2028	498,228,078	189,035,808	2,838,850	1,075,000	113,472	1,188,472	1,650,378
2028/2029	508,192,640	199,000,370	2,988,490	1,040,000	98,180	1,138,180	1,850,310
2029/2030	518,356,492	209,164,222	3,141,120	1,000,000	81,125	1,081,125	2,059,995
2030/2031	528,723,622	219,531,352	3,296,810	975,000	63,623	1,038,623	2,258,187
2031/2032	539,298,095	230,105,825	3,455,610	930,000	45,561	975,561	2,480,049
2032/2033	550,084,057	240,891,787	3,617,590	880,000	27,266	907,266	2,710,324
2033/2034	561,085,738	251,893,468	3,782,810	835,000	9,072	844,072	2,938,738

** = 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.



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(Audited)

	2019 Actual	2020 Budget	2020 Actual	Actual Over (Under) Budget
REVENUE				
Property Taxes	\$ 1,604,259	\$ 1,818,220	\$ 1,763,992	\$ (54,228)
Interest Income/Other	43,446	1,000	45,244	44,244
Total Revenues	1,647,705	1,819,220	1,809,236	(9,984)
EXPENDITURES				
Administrative Expenses	26,000	26,000	26,500	500
Audit Fees	3,100	3,160	5,100	1,940
Community Promotion	-	25,000	-	-
Tax Tribunals/QDI	7,409	40,130	23,913	(16,217)
Street Island Maintenance	230,496	252,590	171,248	(81,342)
Debt Service-Series 2013	923,713	923,700	914,613	(9,087)
Other expenditures	88	1,200	-	(1,200)
TOTAL - EXPENDITURES	1,190,806	1,271,780	1,141,374	(105,406)
NET CHANGE IN FUND BALANCE	456,899	547,440	667,862	95,422
BEGINNING FUND BALANCE	546,661	1,003,560	1,003,560	-
ENDING FUND BALANCE	\$ 1,003,560	\$ 1,551,000	\$ 1,671,422	\$ 95,422