

TO: Downtown Development Authority Board of Directors

DATE: April 17, 2020

FROM: Christopher Forth, Authority Director

SUBJECT: FY2018-2019 Annual Financial Report

Attached is a resolution to approve and authorize transmission of the FY2018-2019 Annual Financial Report to the City Council and State Tax Commission. The Annual Financial Report includes final audited information for the fiscal year and is attached as Appendix A to the resolution. The annual report is only transmitted after the Board has had the opportunity to review the applicable annual audit information for the City of Portage, which has been provided by the City of Portage Finance Director.

With regard to the annual report of activities, the public improvement projects that were funded in 1998, 2003 and 2011 are complete.

The revenue collected in FY2018-2019 was more than debt expenditures. As shown in the Revenues, Expenditures and Changes in Fund Balances table at the end of the report, revenues exceeded expenditures by \$74,719. During the year, the outstanding balance of the DDA 2003 bond series was refunded to realize a savings of \$138,028. After a transfer out of \$104,285 (to cover the Special Assessment for the 2011 public improvement project as provided in the Phase III development agreement), the fund balance at the end of FY2018-2019 was \$348,285. Unlike previous years when monies from the City of Portage General Fund were transferred to the DDA Fund to cover an anticipated deficit in revenues and maintain a suitable fund balance, captured revenues continue to exceed expenditures of 1) additional development within the DDA area and 2) increases in property values. For Board information, a total of \$250,000 was transferred from the General Fund to the DDA Fund in FY2014-2015, FY2015-2016 and FY2016-2017. Repayment from the DDA to the City of Portage General Fund is required and will be scheduled once outstanding DDA debt is further paid down.

Attached is a resolution approving and authorizing the transmission of the Financial Reports to the Portage City Council, and then subsequently to the State Tax Commission. Approval of the accompanying resolution is recommended.

Attachment: Resolution with Annual Financial Report

**CITY OF PORTAGE
DOWNTOWN DEVELOPMENT AUTHORITY**

At a scheduled virtual meeting of the Board of the Downtown Development Authority of the City of Portage, Michigan, held on April 23, 2020, at 8:00 a.m. there were:

PRESENT: Milks, Chrystal, Robinette, Quinn, Patterson, MacDonald, Hansen, Samuel and La Margo

ABSENT: Boyer

The following preamble and resolution were offered by Hansen and supported by La Margo:

**RESOLUTION APPROVING AND AUTHORIZING
THE TRANSMISSION OF THE FY 2018-2019 FINANCIAL
REPORT ON THE STATUS OF THE TAX INCREMENT
FINANCING PLAN**

WHEREAS, the Downtown Development Authority of the City of Portage (the "Authority") has been duly incorporated by the City of Portage (the "City") pursuant to Act No. 57 of the Public Acts of Michigan of 2018 (the "Act") and the Board of the Authority has been duly appointed and sworn into office; and

WHEREAS, the Authority is to transmit annually to the City Council of the City of Portage and the State Tax Commission a Financial Report on the Status of the Tax Increment Financing Plan which report shall include certain matters as required by Section 911 of the Act; and

WHEREAS, such material has been prepared and is attached hereto as Appendix A to this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF PORTAGE, as follows:

1. The Financial Report on the Status of the Tax Increment Financing Plan attached hereto as Appendix A is approved.
2. The Director of the Authority is authorized to transmit said financial reports to the City Council of the City of Portage and the State Tax Commission.

The results of a roll-call vote on the foregoing resolution were as follows:

YES: Milks, Chrystal, Robinette, Quinn, Patterson, MacDonald, Hansen, Samuel and La Margo

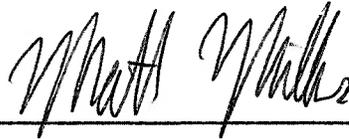
NO: None

ABSTAIN: None

THE RESOLUTION WAS DECLARED ADOPTED:

SECRETARY'S CERTIFICATE

The undersigned, being the duly qualified and acting Secretary of the Board of the Downtown Development Authority of the City of Portage, Michigan, hereby certifies that (1) the foregoing is a true and complete copy of a resolution duly adopted by the Board at a regular meeting held on April 23, 2020, at which meeting a quorum was present and remained throughout, (2) the original thereof is on file in the records of the proceedings of the Board in my office, (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Acts of Michigan, 1976, as amended), and (4) minutes of such meeting were kept and will be or have been made available as required thereby.

A handwritten signature in black ink, appearing to read "Matt Milks", written over a horizontal line.

Matt Milks, Secretary

Dated: April 23, 2020

Appendix A

ANNUAL FINANCIAL REPORT

**CITY OF PORTAGE
DOWNTOWN DEVELOPMENT AUTHORITY**

for

FY 2018 - 2019

As Approved by the Authority

on April 23, 2020

INTRODUCTION

As specified in PA 57 of 2018, the Downtown Development Authority Act provides government financing methods to eliminate property value deterioration within business districts and promote economic growth in communities. Of particular interest to the City of Portage are the provisions which allow tax increment financing to undertake public improvements in business districts in order to correct and prevent deterioration and stimulate business growth.

By way of example, the City of Portage has utilized this approach to construct public improvements on West Centre Avenue and Angling Road to facilitate construction of the Allen Testproducts Facility in 1985 (now occupied by several Borgess Medical related affiliates). Also, Portage utilized tax increment financing to construct several important infrastructure projects to assist Pfizer, Inc. (formerly Pharmacia & Upjohn) and the Stryker Corporation with significant development projects during the early 1990's and 2000's.

With the 1998 Community Investment Initiative, the City of Portage again utilized tax increment financing to construct public improvements that revitalized the north portion of South Westnedge Avenue, between Kilgore Road and I-94. This part of South Westnedge Avenue exhibited signs of deterioration and development and redevelopment activities by the private sector were hampered by lack of access, traffic concerns and existing utility infrastructure. With tax increment financing under the Downtown Development Authority Act, tax increment revenue from tax millage levied within a downtown development authority district by the City of Portage, Portage District Library, Kalamazoo County and Kalamazoo Valley Community College was captured and used to improve public infrastructure which benefited all of Kalamazoo County, including the business sector. In the future, other public improvements could also be proposed and undertaken by the Downtown Development Authority to further strengthen the local business sector within the district.

In 2003 and again in 2011, additional efforts to further stimulate private sector investment were initiated and the Development Plan/Tax Increment Finance Plan was amended. In 2003, additional property was acquired to facilitate public street, storm water retention, underground utility installation and related activities. In 2011, Trade Centre Way was realigned, the intersections of Trade Centre Way/West Fork Crossing and Trade Centre Way/South Westnedge Avenue were reconstructed, among other related public improvements. These additional street, utility and related public activities were included in the 2011 Amended DDA plan to promote development of additional vacant and underutilized land in the existing development area.

The purpose of the Tax Increment Financing Plan / Development Plan, per PA 57 of 2018 is to provide public improvements necessary for private sector investment. The property to which the Development Plan applies is the north portion of the South Westnedge Avenue Commercial Corridor. The area includes approximately 97 acres of land and is bounded by Kilgore Road on the north, the city of Kalamazoo well field to the west, I-94 to the south and the business zoning districts to the east of South Westnedge Avenue on the east.

Following are descriptions of the public improvements and activities undertaken in 1998, 2003 and 2011. The descriptions encompass several public improvements and activities that were completed to foster private sector investment in the DDA.

1998 DDA TAX INCREMENT FINANCE PLAN / DEVELOPMENT PLAN – INFRASTRUCTURE
IMPROVEMENT PROJECTS **(COMPLETED)**

Public Improvements	Original Estimated Time Required for Completion	Original Estimated Cost
<p>1. Andy Avenue Extension</p> <p>Construct a new 1400 feet long and thirty-six foot wide public street intersecting South Westnedge Avenue at the Andy Avenue signalized intersection, with necessary storm water facilities. Repave 1000 feet of DeHaan Street with intersection improvements at South Westnedge Avenue.</p>	<p align="center">12 months</p>	<p align="center">\$487,000</p>
<p>2. DeHaan Drive Sanitary Sewer Relocation</p> <p>Relocate approximately 2100 feet of existing sanitary sewer trunk main located west of DeHaan Drive to the south, paralleling the I-94 right-of-way</p>	<p align="center">12 months</p>	<p align="center">\$307,000</p>
<p>3. South Westnedge Avenue Property Acquisition</p> <p>Purchase the property addressed along South Westnedge Avenue and DeHaan Drive which is necessary for the extension of Andy Avenue</p>	<p align="center">12 Months</p>	<p align="center">\$850,000</p>

Note: Additional right-of-way and/or easements were provided by property owners for minimal consideration in order to construct the necessary public street and to relocate the sanitary sewer.

With regard to the identified projects, the Andy Avenue extension (Market Place) and repaving of DeHaan Drive was completed in 1999. The DeHaan Drive sanitary sewer relocation was subsequently completed in 1999. Finally, after lengthy litigation concerning the acquisition of land necessary for the construction of Market Place, the acquisition was completed in 2001. Bonds were subsequently sold in 2001 in the amount of \$3,100,000 to finance street improvements of \$521,342; sanitary sewer relocation of \$292,429; and property acquisition of \$2,286,229. (Lead underwriter was Morgan Stanley Dean Witter).

**2003 AMENDED DDA TAX INCREMENT FINANCE PLAN / DEVELOPMENT PLAN –
PROPERTY ACQUISITION AND PUBLIC IMPROVEMENT PROJECTS (COMPLETED)**

Public Improvements	Estimated Time Required for Completion	Estimated Cost
1. The acquisition of 5.44 acres of land for public street right-of-way and stormwater retention -	Fall 2003	\$909,000
2. The construction of an approximate 2200-foot long, 36-foot wide public cul-de-sac street, with pavement, curb and gutter, sidewalk, conduit for the installation of telecommunications fiber, street lighting and landscaping	Fall 2003/Spring 2004	\$689,000
3. The construction of public water main from the Milham Well Field to the DDA under I-94, to be looped with public water utilities in Holiday Lane	Fall 2003/ Spring 2004	\$300,000
4. To facilitate “way finding” by customers from South Westnedge and West Fork Crossing the financing and construction of identification sign at South Westnedge and orientation sign at West Fork Crossing	Summer 2004	\$30,000
5. The acquisition of 2.81 acres of land in the DeHaan Drive (now Trade Centre Way) and West Fork Crossing vicinity of the DDA for stormwater or other public use	2004	\$500,000
6. The annual maintenance, monitoring of the retention facility mitigation facility	Annually (Not Bonded)	\$5,000 (\$100,000 over 20 years)

Notes: The public right-of-way and storm water retention area purchased by the City of Portage through the DDA is immediately north of I-94.
Wayfinding signs by H&G, LLC have been installed along South Westnedge Avenue and I-94.

**2011 AMENDED DDA TAX INCREMENT FINANCE PLAN / DEVELOPMENT PLAN –
PROPERTY ACQUISITION AND PUBLIC IMPROVEMENT PROJECTS (COMPLETED)**

Public Improvements	Estimated Time Required for Completion	Estimated Cost
<p>1. SWEPS project improvements:</p> <ul style="list-style-type: none"> a) The widening of portions of South Westnedge Avenue from north of Market Place to Kilgore Road including related land acquisition, design, and street and utility construction activities. b) Traffic signal upgrades, overhead utility relocation activities, and access management activities along South Westnedge Avenue in the DDA district to facilitate safe and efficient traffic flow. 	FY 2018/FY2020	\$1,250,000
<p>2. Agreement to Purchase. The City agreed to purchase approximately 8,400 sq. ft. from the Developer to be used for public roadway purposes</p>	Summer 2011	\$191,623
<p>3. Trade Centre Way/West Fork Crossing/South Westnedge Avenue improvements:</p> <ul style="list-style-type: none"> a) Trade Centre Way realigned and improved from South Westnedge Avenue west 900 feet to just west of West Fork Crossing. The realignment included curb and gutter, storm sewer, utility relocation, boulevards, first class road landscaping, lighting, fencing and related construction. b) West Fork Crossing realigned and improved to intersect with realigned Trade Centre Way easterly of the existing street intersection. The realignment and improvement matched existing West Fork Crossing street cross section characteristics. Private storm drainage will be relocated to adjacent property c) The Trade Centre Way and West Fork Crossing intersection reconstructed incorporating additional right-of-way from the State of Michigan. The intersection improvement matched existing Trade Centre Way and West Fork Crossing cross section characteristics. Excess public street right-of-way not necessary for reconstruction of Trade Centre Way and West Fork Crossing vacated/disposed of by the City. Former State of Michigan right-of-way retained by the City for transportation purposes. 	Fall 2011	\$1,148,377

<p>d) A portion of South Westnedge Avenue south of Trade Centre Way will be reconstructed to facilitate left turn-in and right turn-in movements from South Westnedge Avenue to Trade Centre Way and right turn-out movements from Trade Centre Way to South Westnedge Avenue. The improvements matched existing South Westnedge Avenue cross section characteristics.</p>		
<p>Note: The costs paid by City of Portage include:</p> <ol style="list-style-type: none"> 1. SWEPs project improvements. 2. The Phase III Development Agreement with Trade Center Holdings, LLC and includes a planned land purchase and Trade Centre Way/West Fork Crossing/South Westnedge Avenue improvements contemplated to facilitate private investment to be accomplished by Trade Center Holdings, LLC. 3. With regard to the SWEP's Project Improvements, after additional study it was determined this project did not need to be completed in order to maintain traffic flow and safety along South Westnedge Avenue between Market Place. 		

FINANCIAL INFORMATION

This Annual Financial Report has been prepared pursuant to Section 911 of PA 57 of 2018, as amended, the Recodified Tax Increment Financing Act. The Annual Financial Report is for FY2018-19 and contains the information required by the Act.

Section 15(3)(a): THE AMOUNT AND SOURCE OF REVENUE RECEIVED

Tax increment revenue	\$ 535,689
State shared revenue	11,476
Interest	10,977
Total	\$ 558,142

Section 15(3)(b): THE AMOUNT IN ANY BOND RESERVE ACCOUNT

In the DDA Debt Service Fund balance there is \$ 348,285

Section 15(3)(c): THE AMOUNT AND PURPOSE OF EXPENDITURES FROM THE ACCOUNT

Principal, interest and fees on related outstanding principal	\$ 404,138
Transfer for Special Assessment debt service	\$ 104,285
Total expenditures	\$ 508,423

Section 15(3)(d): THE AMOUNT OF PRINCIPAL AND INTEREST ON ANY OUTSTANDING BONDED INDEBTEDNESS OF AUTHORITY

\$3,930,114 as of June 30, 2019

1. Attached is a completed copy of the Michigan Department of Treasury Annual Report on Status of Tax Increment Financing Plan form for FY2018-2019. This information provides supporting documentation for this financial report.

Transfers to other municipal fund (list fund name)	\$ -
Transfers to other municipal fund (list fund name)	\$ -
Transfers to special assessment debt service	\$ 104,285
Transfers to General Fund	\$ -
Total	\$ 508,423

Principal	\$ -
Interest	\$ -
Principal	\$ 3,595,000
Interest	\$ 345,114
Total	\$ 3,940,114

Bond Reserve Fund Balance

\$ 348,285

Transfers to other municipal fund (list fund name)
 Transfers to other municipal fund (list fund name)

Outstanding non-bonded indebtedness

Outstanding bonded indebtedness

Bond Reserve Fund Balance

PROPERTY CATEGORY	Current Taxable Value	Initial (base year) Assessed Value	Captured Value	Overall Tax rates captured by TIF plan	TIF Revenue
Ad valorem PRE Real	\$ -	\$ -	\$ -	24.21860000	\$0.00
Ad valorem non-PRE Real	\$ 32,332,077	\$ 10,468,700	\$ 21,863,377	0.00000000	\$529,500.38
Ad valorem industrial personal	\$ -	\$ -	\$ -	24.21860000	\$0.00
Ad valorem commercial personal	\$ 5,219,900	\$ 2,298,900	\$ 2,921,000	0.00000000	\$70,742.53
Ad valorem utility personal	\$ -	\$ -	\$ -	0.00000000	\$0.00
Ad valorem other personal	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility real property, 0% SET exemption	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility real property, 50% SET exemption	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility real property, 100% SET exemption	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility personal property on industrial class land	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility personal property on commercial class land	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT New Facility personal property, all other	\$ -	\$ -	\$ -	0.00000000	\$0.00
Commercial Facility Tax New Facility	\$ -	\$ -	\$ -	0.00000000	\$0.00
IFT Replacement Facility (frozen values)	\$ -	\$ -	\$ -	0.00000000	\$0.00
Commercial Facility Tax Restored Facility (frozen values)	\$ -	\$ -	\$ -	0.00000000	\$0.00
Commercial Rehabilitation Act	\$ -	\$ -	\$ -	0.00000000	\$0.00
Neighborhood Enterprise Zone Act	\$ -	\$ -	\$ -	0.00000000	\$0.00
Obsolete Property Rehabilitation Act	\$ -	\$ -	\$ -	0.00000000	\$0.00
Eligible Tax Reverted Property (Land Bank Sale)	\$ -	\$ -	\$ -	0.00000000	\$0.00
Exempt (from all property tax) Real Property	\$ -	\$ -	\$ -	0.00000000	\$0.00
Total Captured Value	\$ -	\$ 12,767,600	\$ 24,784,377		\$600,242.91
Total TIF Revenue					\$600,242.91