~ City of Northville ~

TO: Planning Commission

FM: Sandi Wiktorowski, Finance Director/Treasurer Mitchell Elrod, City Assessor

SJ: Review of Brownfield Redevelopment Project – Northville Downs Property

DT: February 1, 2022

We have reviewed the revenue projections provided by the Northville Downs' developer. This project is proposed as a Brownfield Redevelopment Project. A Brownfield is a piece of property that is known to be contaminated or suspected to be contaminated based on prior use. A brownfield TIF (tax increment financing) is a financing tool used by local governments to help finance qualifying costs of eligible activities for a new development or redevelopment using the incremental increase in taxes.

A Brownfield captures all mills at 100% with the exception of debt mills, Zoo, DIA and must have approval from the State of Michigan for state school tax capture which consists of the 6 State Education Tax mills and 18 local school operating mills. If there is a DDA and then a Brownfield Plan, the DDA has the first right of capture. An interlocal agreement under the Urban Cooperation Act of 1967 (Act 7 of 1967) would be required to allow the Brownfield to capture the incremental increase on DDA parcels. The captured taxes are used to reimburse the developer for approved costs.

Overall, the developer's revenue projections appear reasonable. However, the calculations are based on assumptions and estimates for two to eight years into the future. From an assessing perspective, projecting values multiple years into the future can be a risky project. Market conditions are always changing. However, the information the developer provided is a very conservative and reasonable estimate.

Below are some of the key assumptions and estimates.

- The projections estimate 2024 as year 1 of build-out with an assumption of a five-year build-out.
- The population is estimated to increase by 867, or 14%.
- Their revenue projections assume the State approves capture of state and local school taxes.
- Their analysis projects \$20,000 per year in admin fees to be kept by Brownfield to cover administrative costs. These costs could be higher or lower.
- Their analysis projects \$10.6 million in developer reimbursement which would be fully paid out in four years. If the capture of the state and local school taxes is not approved by the State, the reimbursement period would increase from four to five years.

- Their analysis assumes an interlocal agreement with DDA that allows capture of the incremental tax revenues by the Brownfield until developer is fully reimbursed. This agreement expedites the developer payback period which reduces the length of the Brownfield Plan.
- Sale price projections of \$700,000/unit are appropriate given the size and quality of the units. If current market trends continue, the future sale prices will likely exceed \$700,000 but for current estimation purposes, it appears acceptable.
- The rental unit's estimate of taxable value also appears to be reasonable and acceptable. They are projecting a total value of over \$19 million for their 174 units available for rent. Again, the style and quality of these units falls in line with their rent and value projections. These properties will be valued based on the income approach and will use the rental rates at the time of completion for valuation.

Some parcels may need to be combined before construction begins. Consideration of moving the DDA boundary (expanding or contracting) should be given.

The investment in public capital improvements in that area are estimated at \$15 million to be paid by the developer. The City will likely not have to invest in new infrastructure for another twenty years. Therefore, we analyzed tax revenue projections over the next twenty years (2022 through 2041). The 20-year average tax revenue per capita (city-wide) is \$1,313 without the project and \$1,426 with the project. The 20-year average tax revenue per acre (city-wide) is \$6,123 without the project and \$7,428 with the project.

When the project is completed and the developer fully reimbursed, the additional tax revenues to the City is estimated at \$2.1 million in 2028 and \$2.7 million in 2041. That revenue will be spread between the City (operating and streets) and the DDA to help pay for additional city services required. The City will receive additional state shared revenue and Act 51 revenue after the 2030 census due to the population increase. However, the City will lose its racetrack breakage. That revenue at its peak year in 2000 was \$641,000 and the low in 2016 was \$108,000. For calendar year 2021, it was \$214,000.

Attached is the 20-year analysis prepared based on the developer's revenue projections.

Brownfield Redevopment Project - Northville Downs Property 20 Year Tax Revenue Projections

				Projected Payback Period - 2024 to 2028																	
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
City Taxable Value	-	450 619 082	459 631 464	468 824 093	478 200 575	487 764 587	497 519 879	507 470 277	517 619 683	527 972 077	538 531 519	549 302 149	560 288 192	571 493 956	582,923,835	594 582 312	606 473 958	618 603 437	630 975 506	643 595 016	656 466 916
Less DDA Capture		(28,555,582)	(29,126,694)	(29,709,228)	(30,303,413)	(30,909,481)	(31.527.671)	(32,158,224)	(32.801.388)	(33,457,416)	(34,126,564)	(34,809,095)	(35,505,277)	(36,215,383)	(36,939,691)	(37,678,485)	(38,432,055)	(39.200.696)	(39,984,710)	(40.784.404)	(41,600,092)
Subtotal w/o Project	_	422,065,522	430,506,793	439,116,889	447.899.187	456,857,132	465,994,235	475.314.081	484,820,324	494,516,691	504,406,986	514,495,086	524,784,948	535,280,607	545,986,179	556,905,863	568,043,940	579,404,779	590,992,835	602.812.652	614,868,865
Incremental Difference		-	-	41,536,845	71,918,299	87,451,016	103,618,218	119,578,181	122,110,550	124,693,564	127,187,435	129,731,184	132,325,808	134,972,324	137,671,770	140,425,205	143,233,709	146,098,383	149,020,351	152,000,758	155,040,773
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Net City TV	-	422,065,522	430,506,793	480,653,734	519,817,486	544,308,148	569,612,453	594,892,262	606,930,874	619,210,255	631,594,421	644,226,270	657,110,756	670,252,931	683,657,949	697,331,068	711,277,649	725,503,162	740,013,186	754,813,410	769,909,638
City Operating - no project	13.0496	\$ 5,507,786	\$ 5,617,941	\$ 5,730,300	\$ 5,844,905 \$	\$ 5,961,803 \$	6,081,038	\$ 6,202,659	\$ 6,326,711	\$ 6,453,245	\$ 6,582,309	\$ 6,713,955 \$	\$ 6,848,234 \$	6,985,198	\$ 7,124,901 \$	\$ 7,267,399	\$ 7,412,746	\$ 7,561,001 \$	7,712,220	7,866,464	\$ 8,023,793
Street Improvement - no p	1.6256	686,110	699,832	713,828	728,105	742,667	757,520	772,671	788,124	803,886	819,964	836,363	853,090	870,152	887,555	905,306	923,412	941,880	960,718	979,932	999,531
DDA Capture - no project		419,059	427,440	435,989	444,709	453,603	462,675	471,928	481,367	490,994	500,814	510,830	521,047	531,468	542,097	552,939	563,998	575,278	586,784	598,519	610,490
Incremental Tax Revenue - City		-	-	387,799	602,923	821,722	1,049,649	1,274,349	1,301,805	1,329,810	1,356,407	1,383,535	1,411,205	1,439,430	1,468,218	1,497,582	1,527,534	1,558,085	1,589,246	1,621,031	1,653,452
Incremental Tax Revenue - DDA				221,762	275,463	334,957	396,881	458,012	467,711	477,605	487,157	496,900	506,838	516,975	527,314	537,860	548,618	559,590	570,782	582,197	593,841
DDA Capture Other Juris	11.3801			171,969	350,892	357,985	365,220	372,599	380,126	387,804	395,560	403,471	411,541	419,772	428,167	436,731	445,465	454,374	463,462	472,731	482,186
DDA Capture debt millage	0.8311			12,559	25,626	26,144	26,672	27,211	27,761	28,322	28,888	29,466	30,055	30,656	31,269	31,895	32,533	33,183	33,847	34,524	35,215
Brownfield Capture - City	_			(781,530)	(1,229,278)	(1,514,664)	(1,811,750)														
Total Tax Revenues		\$ 6,612,955	\$ 6,745,213	\$ 6,892,676	\$ 7,043,345 \$	\$ 7,184,217 \$	7,327,906	\$ 9,579,428	\$ 9,773,606	\$ 9,971,667	\$ 10,171,099	\$ 10,374,521 \$	\$ 10,582,011 \$	5 10,793,650	\$ 11,009,523 \$	\$ 11,229,712	\$ 11,454,306	\$ 11,683,392 \$	11,917,059	12,155,400	\$ 12,398,507
New Tax Revenues - City & DDA	5	\$-	s -	\$ 794,089	\$ 1,254,904 \$	\$ 1,540,808 \$	1,838,423	\$ 2,132,171	\$ 2,177,404	\$ 2,223,541	\$ 2,268,012	\$ 2,313,372 \$	\$ 2,359,639 \$	2,406,832	\$ 2,454,969 \$	\$ 2,504,068 \$	\$ 2,554,150	\$ 2,605,233 \$	2,657,337 \$	2,710,484	\$ 2,764,694
Brownfield Capture		\$-	\$ -	\$ (781,530)	\$ (1,229,278) \$	\$ (1,514,664) \$	(1,811,750)	\$ -	\$ - 3	s -	\$ -	\$ - \$	s – s		\$ - \$	\$ - 5	\$ -	\$ - \$	- 8	-	\$ -
Net Change w/ new development		\$-	\$ -	\$ 12,559	\$ 25,626 5	\$ 26,144 \$	26,672	\$ 2,132,171	\$ 2,177,404	\$ 2,223,541	\$ 2,268,012	\$ 2,313,372 \$	\$ 2,359,639 \$	5 2,406,832	\$ 2,454,969 \$	\$ 2,504,068	\$ 2,554,150	\$ 2,605,233 \$	2,657,337	2,710,484	\$ 2,764,694
Tax Revenue per Capita w/o Project	ct S	\$ 1,081	\$ 1,102	\$ 1,124	\$ 1,147 \$	\$ 1,170 \$	1,193	\$ 1,217	\$ 1,241	\$ 1,266	\$ 1,292	\$ 1,317 \$	\$ 1,344 \$	1,371	\$ 1,398 \$	\$ 1,426	\$ 1,455	\$ 1,484 \$	1,513 \$	1,544	\$ 1,574
Tax Revenue per Capita with Project	ect S	\$ 1,081	\$ 1,102	\$ 1,126	\$ 1,112 \$	\$ 1,096 \$	1,082	\$ 1,371	\$ 1,399	\$ 1,427	\$ 1,456	\$ 1,485 \$	\$ 1,515 \$	1,545	\$ 1,576 \$	\$ 1,607 \$	\$ 1,640	\$ 1,672 \$	1,706 \$	1,740	\$ 1,775
Change due to new development	5	\$-	\$ -	\$ 2	\$ (35) \$	\$ (73) \$	(111)	\$ 154	\$ 158	\$ 161	\$ 164	\$ 168 \$	\$ 171 \$	5 174	\$ 178 \$	\$ 181 5	\$ 185	\$ 189 \$	193 \$	196	\$ 200
Tax Revenue per Acre w/o Project	:	\$ 5,040	\$ 5,141	\$ 5,244	\$ 5,349 5	\$ 5,456 \$	5,565	\$ 5,676	\$ 5,790	\$ 5,906	\$ 6,024	\$ 6,144 \$	\$ 6,267 \$	6,392	\$ 6,520 \$	\$ 6,651 \$	\$ 6,784	\$ 6,919 \$	7,058	7,199	\$ 7,343
Tax Revenue per Acre w Project	9	\$ 5,040	\$ 5,141	\$ 5,254	\$ 5,368 5	\$ 5,476 \$	5,585	\$ 7,301	\$ 7,449	\$ 7,600	\$ 7,752	\$ 7,907 \$	\$ 8,066 \$	8,227	\$ 8,391 \$	\$ 8,559 \$	\$ 8,730	\$ 8,905 \$	9,083 \$	9,265	\$ 9,450
Change due to new development		\$-	\$ -	\$ 10	\$ 20 5	\$ 20 \$	20	\$ 1,625	\$ 1,660	\$ 1,695	\$ 1,729	\$ 1,763 \$	\$ 1,799 \$	1,834	\$ 1,871 \$	\$ 1,909 \$	\$ 1,947	\$ 1,986 \$	2,025 \$	2,066	\$ 2,107
20 Year Averages:				L																	
Tax Revenue per Capita w/o Projec	et S	\$ 1,313																			
Tax Revenue per Capita with Project	ct	1,426																			
Tax Revenue per Acre w/o Project	2	\$ 6,123																			
Tax Revenue per Acre w Project	5	\$ 7,428																			