

# Understanding Clawson DDA Income Sources

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. . .and the impact of changing the boundaries to eliminate the condominium development



# The Clawson DDA has two funding sources

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- Tax Increment Financing
- 2-Mill levy on Real and Personal Property within the DDA district

# Tax Increment Financing

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- ❑ A base year is established within a district
- ❑ All taxing jurisdictions receive their portion of taxes collected
- ❑ After the base year – all increases (the increment or captured value) for the taxes within the district goes to the DDA instead of the taxing jurisdictions
- ❑ The taxing jurisdiction's level of dollars received from district properties is "frozen" at the base year

# For example. . .

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- ❑ Tax year is 1980 - which we will call the base
- ❑ The City collects \$2 million in taxes within the district
- ❑ The City and taxing jurisdictions keeps the entire \$2 million
- ❑ The next year the City collects \$2 million and one dollars within the district
- ❑ The City and taxing jurisdictions keeps the \$2 million
- ❑ The increase increment is \$1
- ❑ This one dollar goes to the DDA
- ❑ In 1982 the city collects \$2,000,035
- ❑ The City and taxing jurisdictions keeps the \$2 million
- ❑ The increase increment of \$35 dollars goes to the DDA

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- The “Taxing Jurisdictions” can change from DDA to DDA
  - In Clawson the Taxing Jurisdictions which are impacted by Tax Increment Financing are:
    - Oakland Community College
    - Oakland County Government
    - Oakland County Parks & Recreation
    - Huron Clinton Metro Park Authority
    - City of Clawson
    - Oakland County Public Transit Authority

# Ad valorem Tax or 2 mills

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- ❑ Under the DDA Act (Public Act 197 of 1975) the City Council can approve up to 2-Mills on real and personal property to cover the administration of the DDA.
- ❑ Clawson Council understanding the need for revitalization in the downtown and lack funding to accomplish their work approved the 2-Mills for the first time for the DDA in FY 2003/2004

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- ❑ **125.1662 Ad valorem tax; borrowing in anticipation of collection.** Sec. 12.
  - ❑ (1) An authority with the approval of the municipal governing body may levy an ad valorem tax on the real and tangible personal property not exempt by law and as finally equalized in the downtown district. The tax shall not be more than 1 mill if the downtown district is in a municipality having a population of 1,000,000 or more, or not more than 2 mills if the downtown district is in a municipality having a population of less than 1,000,000. The tax shall be collected by the municipality creating the authority levying the tax. The municipality shall collect the tax at the same time and in the same manner as it collects its other ad valorem taxes. The tax shall be paid to the treasurer of the authority and credited to the general fund of the authority for purposes of the authority.

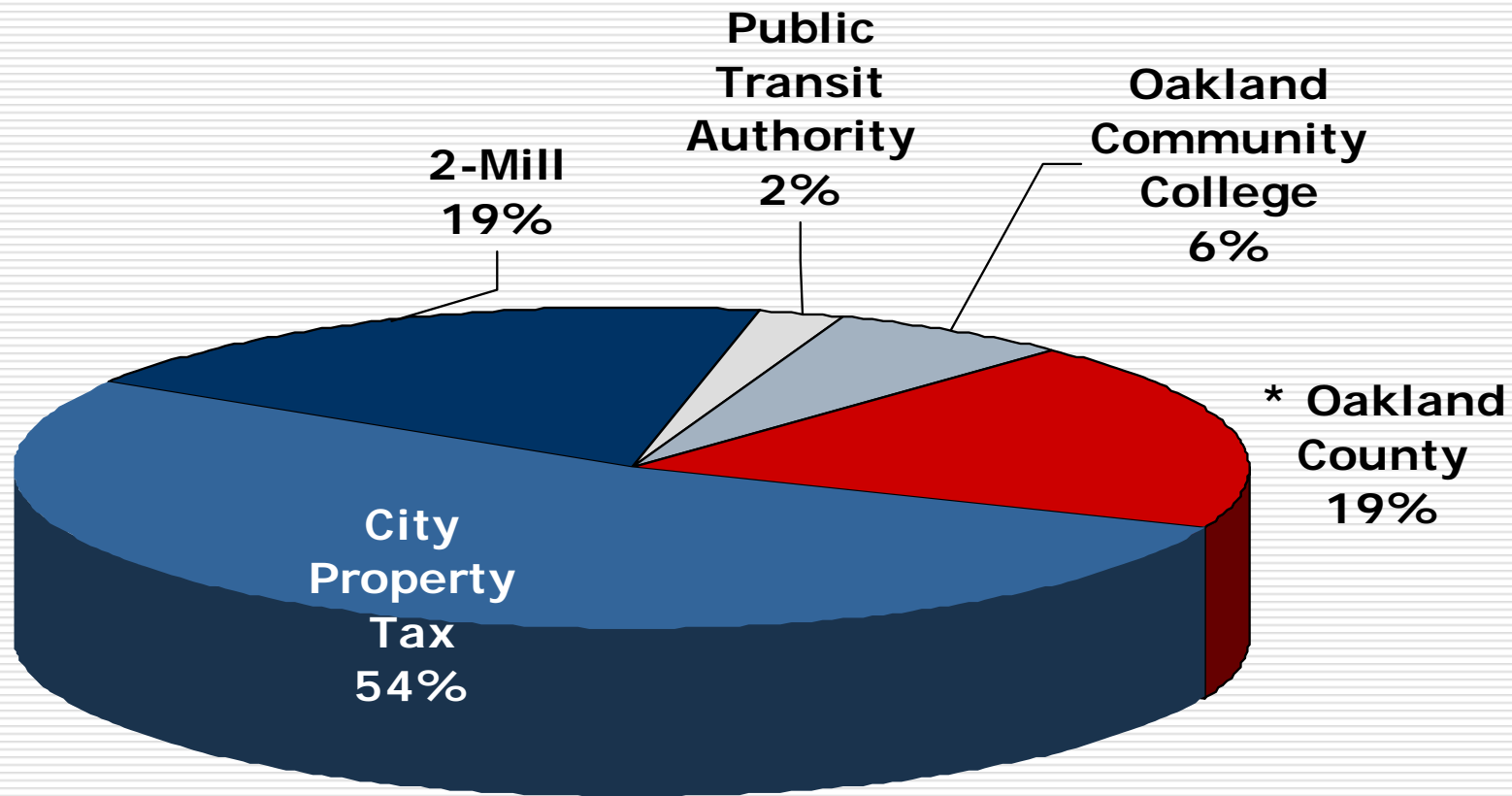
# DDA Income Sources

Source	Amount	%
Oakland Community College	\$7,834.87	6%
City Property Tax	\$65,819.64	54%
2 – Mills	\$23,886.80	19%
Oakland County *	\$22,792.83	19%
Public Transit Authority	\$2,928.45	2%
<b>Total</b>	<b>\$ 123,262.59</b>	<b>100%</b>

\* Includes Oakland County Government, Oakland County Parks & Recreation and Huron Clinton Metro Park Authority

# DDA Income Sources

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\* Includes Oakland County Government, Oakland County Parks & Recreation and Huron Clinton Metro Park Authority

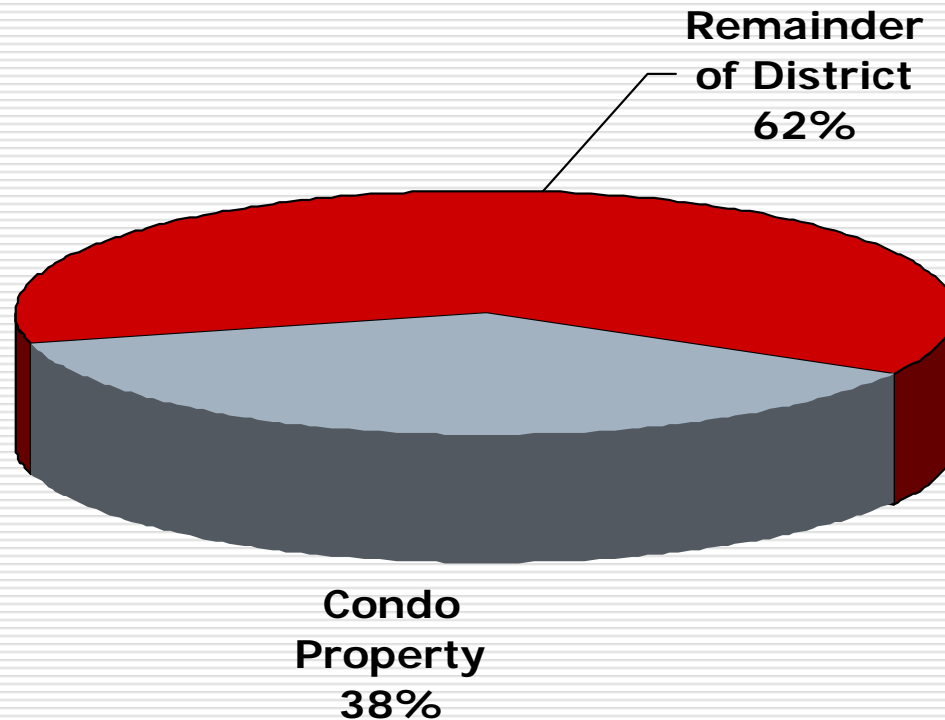
# What amount of the DDA income is attributable to the Condo properties?

Source	Condo	Remainder of District
Oakland Community College	\$3,294.37	\$4,540.50
City Property Tax	\$27,675.54	\$38,144.10
2 – Mills	\$4,499.34	\$19,387.46
Oakland County *	\$9,583.82	\$13,209.01
Public Transit Authority	\$1,231.34	\$1,697.11
<b>Total</b>	<b>\$46,284.41</b>	<b>\$76,978.18</b>
Remainder and Condos \$ 123,262.59		

\* Includes Oakland County Government, Oakland County Parks & Recreation and Huron Clinton Metro Park Authority

# DDA income attributable to the condominium properties

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What would be the impact of changing the boundaries to remove the condos?

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- At a minimum the annual income of the DDA would be reduced from \$123,262.59 to \$76,978.18
- At a maximum the annual income of the DDA would be reduced from \$123,262.59 to \$57,531.56\*
- What accounts for the difference between the minimum and the maximum?

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\* Assuming the 2-Mill stayed in effect

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- ❑ The law allows taxing jurisdictions to “opt-out” (their decision) when DDA boundaries are changed – increased or decreased.
  - ❑ Changing the boundaries would allow Oakland Community College, Oakland County Government, Oakland County Parks and Recreation, Huron Clinton Metro Park Authority and the Oakland County Transit Authority to opt-out.
  - ❑ If these taxing jurisdictions chose to opt-out \$33,556.15 which currently comes to Clawson would go back to the jurisdiction – back to the county, parks, community college and/or transit authority.

## Can or Should the DDA exist if the budget is reduced to \$76,978.18 or \$57,531.56

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- ❑ The DDA currently owes the city \$480,541.42.
- ❑ The repayment schedule varies year to year.
- ❑ The current agreement calls for the following repayments:
  - 2004 - \$8,485.08 plus interest
  - 2005 - \$10,612.37 plus interest
  - 2006 - \$19,716.86 plus interest
  - 2007 - \$45,518.60 plus interest
  - 2008 - \$51,414.55 plus interest
  - 2009 - \$57,810.79 plus interest
  - 2010 - \$64,739.59 plus interest
  - 2011 - \$72,245.29 plus interest
  - 2012 - \$80,375.11 plus interest
  - 2013 - \$69,623.18 plus interest

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- If the budget were reduced even to the \$76,978.18 level little revenue is left for the DDA Board to undertake plans and activities after 2006 due to the repayment schedule
  - It is unlikely that within the next three years the Board will be able to institute revitalization changes to increase captured funds so there is money available beyond 2006 for DDA activities.

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- ❑ The DDA Board requested the 2-mill increase for FY 2003/2004 recognizing the need to increase revenues in order to undertake an effective program for revitalization.
  - ❑ If the condos are removed from the district with the resultant revenues – the DDA is virtually left ineffective due to lack of funding to undertake an effective revitalization programs.
  - ❑ If the DDA is left ineffective, consideration should be given to dissolving the Authority with the city reabsorbing city revenue and the repayment of the debt.