RESTATED TAX INCREMENT FINANCING PLAN

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE CITY OF ROCHESTER HILLS

Reasons That the Plan Will Result in Captured Assessed Value

Section 12 (2) (a) A STATEMENT OF THE REASONS THAT THE PLAN WILL RESULT IN THE DEVELOPMENT OF CAPTURED ASSESSED VALUE WHICH COULD NOT OTHERWISE BE EXPECTED.

Proposed public improvements, as described in the Development Plan, are necessary to provide required accessibility to various areas in the LDFA boundaries, to provide a level of service in roads and public services that are necessary to attract industrial and technology development, and to improve vehicular circulation within the LDFA area.

The implementation of the public improvements addressed by the Development Plan will stimulate further economic growth, provide new employment opportunities, and create additional assessed valuation. The limited availability of outside funding sources for these public improvements has led the City to turn to the LDFA, as provided for by Public Act 281 of 1986, for Tax Increment Financing as the method to generate required funds.

Captured Assessed Value and Tax Increment Revenues

Section 12 (2) (b)	**AN ESTIMATE OF THE CAPTURED ASSESSED VALUE FOR EACH YEAR OF THE PLAN.**
Section 12 (2) (c)	**THE ESTIMATED TAX INCREMENT REVENUES FOR EACH YEAR OF THE PLAN.**

A schedule of the projected captured assessed value and tax increment revenues is provided in Table 2. Additional increases beyond the projected amounts may result from additional construction, appreciation in property values, site improvements, development of an industrial/technology park plat, and higher inflation.

The following assumptions were made to determine the projected captured assessed value for the LDFA area.

1. Annual inflationary increase of an average **2**% per year.

2. An average investment of $1,874,000 **(true cash value)** per year in both real and personal property. Note: Property values expanded in the LDFA district by approximately 15% between 1993 and 1994 (Appendix B).

3. New manufacturing/technology investment to total new investment, which will be 25%. Approximately 41% of the property value is manufacturing/technology in the LDFA District.

4. New construction occurring at a rate equal to 1/3 of the projected based on the historic absorption rate of $2.8 million in SEV.

5. City of Rochester Hills will capture non-LDFA eligible tax increment for use on LDFA projects using only City millages. **This will discontinue in 2007 and beyond.**

6. **Actual eligible and ineligible taxable value reported for years 1995 to 2006 appear in the chart.**

It is projected that the LDFA will have sufficient income from the annual tax increment revenue to pay for current improvements, debt service and operating costs. Any debt will be structured in a manner that allows for servicing of the debt with special assessments, LDFA revenues and City funds.

Projected LDFA tax increment revenues are based upon the captured assessed value resulting from increased value of eligible properties and ineligible shown in Table 2.

Table 2
Rochester Hills LDFA
Taxes Captured, by Jurisdiction, by Year
(w/o City Debt Millage)

		SEV Growth					Taxing Jurisdictions					Total	
A	B	C	D	E	F	G	H	I	J	K	L	M	IPV - Capture
SEV		New Investment	New Investment	Existing	Future	Total SEV Increase	Tax	City of Rochester Hills	Oakland	Oakland	Funds Available	LDFA Captured	NPV - Captured
Year		SEV	SEV - Inflated	Manufacturin g	Manufact.	Manufact.	Year	Manufact.	County	Comm. C.	Year	Tax Increment	Future Taxes
12/31		100.00%	2.00%	100.00%	100.00%	E + F		6.6167	4.818	1.6522		I + J + K	7.00%
1994							1995	$10,602	$7,386	$2,466	1996	$20,454	$5,452,779
1995	1			$44,939,000			1996	$120,382	$87,579	$29,848	1997	$237,809	$5,799,765
1996	2		$26,769,410		$20,687,690	$20,687,690	1997	$136,884	$99,788	$34,219	1998	$270,891	$6,510,841
1997			$955,740	$898,780	$21,643,430	$22,542,210	1998	$149,155	$108,608	$37,244	1999	$295,008	$6,994,141
1998		$2,000,000	$2,080,800	$1,815,536	$23,724,230	$25,539,766	1999	$168,989	$123,051	$42,197	2000	$334,236	$7,487,107
1999		$2,000,000	$2,122,416	$2,750,626	$25,846,646	$28,597,272	2000	$189,220	$137,782	$47,248	2001	$374,250	$7,989,932
2000		$2,000,000	$2,164,864	$3,704,419	$28,011,510	$31,715,929	2001	$209,855	$152,807	$52,401	2002	$415,063	$8,502,814
2001		$2,000,000	$2,208,162	$4,677,287	$30,219,672	$34,896,959	2002	$230,903	$168,134	$57,657	2003	$456,693	$8,641,318
2002		$2,000,000	$2,252,325	$5,669,613	$32,471,997	$38,141,610	2003	$252,372	$183,766	$63,018	2004	$499,155	
2003		$2,000,000	$2,297,371	$6,681,785	$34,769,368	$41,451,153	2004	$274,270	$199,712	$68,486	2005	$542,467	
2004		$2,000,000	$2,343,319	$7,714,201	$37,112,687	$44,826,888	2005	$296,606	$215,976	$74,063	2006	$586,645	
2005		$2,000,000	$2,390,185	$8,767,265	$39,502,872	$48,270,137	2006	$319,389	$232,566	$79,752	2007	$631,706	
2006		$2,000,000	$2,437,989	$9,841,390	$41,940,861	$51,782,251	2007	$342,628	$249,487	$85,555	2008	$677,669	
2007		$2,000,000	$2,486,749	$10,936,998	$44,427,609	$55,364,608	2008	$366,331	$266,747	$91,473	2009	$724,551	
2008		$2,000,000	$2,536,484	$12,054,518	$46,964,093	$59,018,611	2009	$390,508	$284,352	$97,511	2010	$772,371	
2009		$2,000,000	$2,587,213	$13,194,388	$49,551,306	$62,745,695	2010	$415,169	$302,309	$103,668	2011	$821,147	
2010		$2,000,000	$2,638,958	$14,357,056	$52,190,264	$66,547,320	2011	$440,324	$320,625	$109,949	2012	$870,898	
2011		$2,000,000	$2,691,737	$15,542,977	$54,882,001	$70,424,978	2012	$465,981	$339,308	$116,356	2013	$921,645	
2012		$2,000,000	$2,745,571	$16,752,617	$57,627,572	$74,380,189	2013	$492,151	$358,364	$122,891	2014	$973,406	
2013		$2,000,000	$2,800,483	$17,986,449	$60,428,055	$78,414,504	2014	$518,845	$377,801	$129,556	2015	$1,026,203	
2014		$2,000,000	$2,856,492	$19,244,958	$63,284,547	$82,529,505	2015	$546,073	$397,627	$136,355	2016	$1,080,055	
2015		$2,000,000	$2,913,622	$20,528,637	$66,198,170	$86,726,807	2016	$573,845	$417,850	$143,290	2017	$1,134,985	
2016		$2,000,000	$2,971,895	$21,837,990	$69,170,064	$91,008,054	2017	$602,173	$438,477	$150,364	2018	$1,191,013	
2017		$2,000,000	$3,031,333	$23,173,530	$72,201,397	$95,374,927	2018	$631,067	$459,516	$157,578	2019	$1,248,162	
2018		$2,000,000	$3,091,959	$24,535,780	$75,293,356	$99,829,137	2019	$660,539	$480,977	$164,938	2020	$1,306,454	
2019		$2,000,000	$3,153,799	$25,925,276	$78,447,155	###########	2020	$690,601	$502,866	$172,444	2021	$1,365,912	
2020		$2,000,000	$3,216,874	$27,342,562	$81,664,029	###########	2021	$721,264	$525,194	$180,101	2022	$1,426,558	
2021		$2,000,000	$3,281,212	$28,788,193	$84,945,241	###########	2022	$752,540	$547,968	$187,910	2023	$1,488,418	
2022		$2,000,000	$3,346,836	$30,262,737	$88,292,078	###########	2023	$784,442	$571,197	$195,876	2024	$1,551,515	
2023		$2,000,000	$3,413,773	$31,766,771	$91,705,851	###########	2024	$816,981	$594,891	$204,001	2025	$1,615,874	
2024		$2,000,000	$3,482,048	$33,300,887	$95,187,899	###########	2025	$850,172	$619,059	$212,289	2026	$1,681,520	
2025		$2,000,000	$3,551,689	$34,865,685	$98,739,588	###########	2026	$884,026	$643,710	$220,743	2027	$1,748,479	
Total		$56,000,000	###########					$14,304,287	$10,415,477	$3,571,448		$28,291,213	

A The year in which the SEV is determined - Its based on property on the rolls as of December 31st of the year shown & becomes basis for next year's taxes
B Footnote
C Projected new SEV investment in constant dollars based a percentage of historic growth as shown
D New Investment adjusted for inflation based on percentage as shown
E Cumulative real and personal SEV for LDFA eligible (manufacturing) firms adjusted for inflation shown in Column D
F Cumulative real and personal SEV for non-LDFA eligible (nonmanufacturing) firms adjusted for inflation shown in Column D
G Cumulative increase of projected LDFA eligible (manufacturing) new investment based on percentage shown
H Cumulative projected non-LDFA eligible (nonmanufacturing) new investment (Column D) based on percentage shown based on inflation rate shown in column D
I Total Increase in LDFA Eligible (Manufacturing) SEV
J Total Increase in non-LDFA Eligible (nonmanufacturing) SEV
K This is the year the tax increment is collected based on properties on the roll on December 31 of the previous year
L Annual tax increment using City millage for LDFA Eligible (manufacturing) properties only (Column E + Column G) times millage rate shown above
M Annual tax increment using City millage for non-LDFA Eligible (nonmanufacturing) properties (Column F + Column H) times millage rate shown above
N Annual tax increment using County millage for LDFA Eligible (manufacturing) properties only (Column E + Column G) times millage rate shown above
O Annual tax increment using Community College millage for LDFA Eligible (manufacturing) properties only (Column E + Column G) times millage rate shown above
P This is the total tax increment projected for each year and is the sum of Columns J, K, L, M
Q This is the projected net present value of the future tax increment cash flow (less $15,000 annually for annual admin. & planning cost) for next 20 years at the discount rate shown
1 Column E & F - This is initial SEV for property on the rolls on 12/31/95 and used for tax computations in 1996
2 Column D - This is actual SEV increase for property on the rolls on 12/31/96 and used for tax computations in 1997

Tax Increment Procedure

Section 12 (2) (d) A DETAILED EXPLANATION OF THE TAX INCREMENT PROCEDURE.

As provided for in Michigan Public Act 281 of 1986, as amended, tax increment financing is a tool for the financing of public facilities in support of eligible properties (as defined in Act. 281).

The City Council of the City of Rochester Hills adopted a resolution at the May 4, 1994 regular meeting of the City Council to create the Rochester Hills LDFA and designating the boundaries of the Authority district (see Appendix D). This is the area within which the Authority exercises its powers. The boundaries were amended in 2005 to be coterminus with the Certified Technology Park designation, which was granted in 2002; further the District was redefined as a "business development area", as permitted under P.A. 281.

The paragraphs that follow describe the procedures involved in establishing the base years, initial assessed value, and tax increment for each year.

Chronologically, establishing the "base year", which will serve as the point of reference for determining future tax increments, is the first step in the tax increment financing procedure. The City Council takes this step at the time it adopts an ordinance approving the Tax Increment Financing Plan. Adoption of the Plan establishes the "initial assessed value", which is defined in the Act as follows:

> "Initial assessed value means the assessed value, as equalized, of the eligible property identified in the tax increment financing plan at the time the resolution establishing the tax increment financing plan is approved as shown by the most recent assessment roll for which equalization has been completed at the time the resolution is adopted."

In this case, the "initial assessed value" is based on the assessment roll in place on December 31, 1993 (1994 tax year).

Values for all real and personal property are provided in Appendix B.

As the Development Plan is carried out, resulting in private sector investment on the eligible properties, the planned investments will result in additions of real and personal property value to the tax base. Each year following adoption of this Plan, the total current assessed value of the eligible properties will be compared to their initial assessed value. This comparison indicates the amount of "captured assessed value for eligible properties", which is the amount by which the current assessed value exceeds the initial assessed value.

The tax increment revenues are determined for each year by applying the total current millage rate for all taxing jurisdictions (City of Rochester Hills, Oakland County, and Oakland Community College) against the captured assessed value. The property tax revenues which are generated as a result of the difference in assessed value between the base year and the current year provide tax increment revenues which can be used by the LDFA to carry out the Development Plan. Throughout the duration of this Plan, the taxing jurisdictions will continue to collect property taxes, which are based on the initial assessed value.

The tax increment revenues to be collected by the LDFA will be based on the *operating millage* of the taxing jurisdictions, rather than total millage. Thus the *debt millage* of the taxing jurisdictions will be unaffected by this Plan and will continue to generate tax revenue for the taxing jurisdictions based on the current assessed value, rather than on the initial assessed value. Millage rates are set forth in Table 2.

TABLE 2

2006 MILLAGE RATES

Jurisdiction	Mills	Captureable	%
School Districts*	18.0000	0.0000	0.00%
State Education	6.0000	0.0000	0.00%
Intermed. Schools	**3.3690**	**0.0000**	**0.00%**
RH City**	**9.7060**	**9.1255**	**59.5%**
County	**4.6461**	**4.6461**	**30.2%**
Oakland Comm Coll	**1.5844**	**1.5844**	**10.3%**
Total:	**43.3055**	**15.3560**	**100%**

* Operating millage for Rochester Community Schools and Avondale School District exclusive of debt or supplemental mills

** Exclusive of debt mills

In addition, the City of Rochester Hills annually computed the increases in assessment based on non-eligible properties in the LDFA district and multiplied it by the City's millage only from 1995 through 2006. The City donated those funds to the LDFA for the purposes of financing its projects.

TABLE 2a.
CITY MILLAGE RATES
APPLIED TO NON-ELIGIBLE PROPERTY

	2006
City of Rochester Hills	**9.1255**

Maximum Amount of Bonded Indebtedness

Section 12 (2) (e) THE MAXIMUM AMOUNT OF NOTE OR BONDED INDEBTEDNESS TO BE INCURRED, IF ANY.

Issuance of bonds backed by the tax increment revenues generated by the LDFA is expected to be the primary means of financing the projects identified in the Development Plan. ***It is expected that bonds will be issued to finance the New Adams Road construction.***

Table 4 provides a **sample bond schedule for $6-million to finance projects in the Development and Financing Plan**. The bond schedule makes the following assumptions:

1. **Interest rate of 4%, similar to 2007 rate.**

2. Special Assessments will be used to make up the difference between the debt service and the tax increment available for debt services or bonding will be delayed until adequate funds are available. Special assessments will be reduced as tax increment financing is increased.

3. Both LDFA tax increment and other funds pledged and contributed by the City, County and/or Community College based on their incremental tax collection will be used to finance the projects.

A Capital Improvement Fund or similar fund will be established for the LDFA. This fund will be used to record LDFA revenues and expenditures. Funds advanced by the City, County and/or Community College based on their incremental tax collections to the LDFA or funds received through other means of financing will be deposited in this fund. Funds shall be advanced only upon formation of an obligation requiring the LDFA to repay the funds to the sources. To summarize, the purposes of this fund will be:

- To receive revenues.
- To hold invested tax increment funds.
- To accumulate a fund balance for bonding purposes.
- To transfer funds for administrative and planning purposes.
- To transfer funds for debt service.
- To pay current capital expenditures.

The LDFA intends to issue tax increment bonds to finance proposed public improvements described in the Development Plan. The maximum amount of bonded indebtedness to be incurred will be $6 million. The extent of the bonding will be dependent on:

- The total costs of the projects described in the Development Plan, as adjusted for inflation, deflation, and contingencies, and

- Expenses related to issuance of the bonds, including the fees of legal and financial counsel, bond printing, printing of the prospectus, notice of sale, and miscellaneous expenses.

- The amount of grant and special assessment funds that can be obtained to finance the project.

A more detailed analysis of various tax increment scenarios are contained in a report prepared by McKenna Associates entitled: "Financing of LDFA Redevelopment Improvements" dated April 20, 1994. The results of the report have been updated herein with current interest rates.

TABLE 4

Bond Schedule

Principal Amount
$ 6,000,000

Average Interest Rate*
4.00%

Term (Years)
20

	Principal Payment	Interest Payment	Remaining Principal	AVERAGE Payment
Year 1	$ 201,491	$ 240,000	$ 5,798,509	$ 441,491
Year 2	$ 209,550	$ 231,940	$ 5,588,959	$ 441,491
Year 3	$ 217,932	$ 223,558	$ 5,371,027	$ 441,491
Year 4	$ 226,649	$ 214,841	$ 5,144,378	$ 441,491
Year 5	$ 235,715	$ 205,775	$ 4,908,662	$ 441,491
Year 6	$ 245,144	$ 196,346	$ 4,663,518	$ 441,491
Year 7	$ 254,950	$ 186,541	$ 4,408,569	$ 441,491
Year 8	$ 265,148	$ 176,343	$ 4,143,421	$ 441,491
Year 9	$ 275,754	$ 165,737	$ 3,867,667	$ 441,491
Year 10	$ 286,784	$ 154,707	$ 3,580,883	$ 441,491
Year 11	$ 298,255	$ 143,235	$ 3,282,628	$ 441,491
Year 12	$ 310,185	$ 131,305	$ 2,972,443	$ 441,491
Year 13	$ 322,593	$ 118,898	$ 2,649,850	$ 441,491
Year 14	$ 335,496	$ 105,994	$ 2,314,354	$ 441,491
Year 15	$ 348,916	$ 92,574	$ 1,965,437	$ 441,491
Year 16	$ 362,873	$ 78,617	$ 1,602,564	$ 441,491
Year 17	$ 377,388	$ 64,103	$ 1,225,176	$ 441,491
Year 18	$ 392,483	$ 49,007	$ 832,693	$ 441,491
Year 19	$ 408,183	$ 33,308	$ 424,510	$ 441,491
Year 20	$ 424,510	$ 16,980	$ (0.00)	$ 441,491
	$ 6,000,000	**$ 2,829,810**		**$ 8,829,810**

Ave. Payment Over the Term (20 Years): ***$ 441,491***

* Actual interest rate is unknown

Costs, Expenditures and Duration of the Plan

Section 12 (2) (f)	**THE AMOUNT OF OPERATING AND PLANNING EXPENDITURES OF THE AUTHORITY AND THE MUNICIPALITY, THE AMOUNT OF ADVANCES EXTENDED BY OR INDEBTEDNESS INCURRED BY THE MUNICIPALITY, AND THE AMOUNT OF ADVANCES BY OTHERS TO BE REPAID FROM TAX INCREMENT REFENUES;**
Section 12 (2) (g)	**THE COSTS OF THE PLAN ANTICIPATED TO BE PAID FROM TAX INCREMENT REVENUES AS RECEIVED;**

The City of Rochester Hills has agreed to lend the LDFA enough funds to conduct its preliminary engineering studies. The funds are projected to be approximately $25,000 - $50,000. Future operating and planning expenditures of the LDFA, including legal and professional fees, administrative costs, and other operational costs, will be paid from annual revenues. Annual budgets will be presented and approved according to procedures described in Public Act 281 of 1986 and adopted by the City. For the purposes of projecting revenue available for debt service it was assumed that an average $20,000 would be available for annual administrative and planning expenses.

The cost of the plan to be met by the expenditure of tax increment revenues is shown in the Development Plan. The LDFA intends to operate on a pay-as-you-go basis until it is prepared to issue bonds.

This plan will commence upon its approval by the City Council in May of 1995 for tax year 1994 and will end December 31, 2025, unless this plan is amended to extend or shorten its duration.

Impacts on Other Taxing Jurisdictions

Section 12 (2) (i)	**AN ESTIMATE OF THE IMPACT OF TAX INCREMENT FINANCING ON THE REVENUES OF ALL TAXING JURISDICTIONS IN WHICH THE ELIGIBLE PROPERTY IS OR IS ANTICIPATED TO BE LOCATED.**

The impact of the proposed incremental tax financing on affected jurisdictions is the amount of tax that will be captured by the LDFA, which would otherwise have been available to the taxing jurisdictions. The impact is shown in Table 2 based on the assumptions stated. In addition, all incremental Rochester Hills city taxes collected within the LDFA boundaries**, including non-manufacturing real and personal property from 1995 through 2006,** will be allocated by the City for LDFA projects.

Legal Description

Section 12 (2) (j)	**A LEGAL DESCRIPTION OF ELIGIBLE PROPERTY TO WHICH THE TAX INCREMENT FINANCING PLAN APPLIES OR SHALL APPLY UPON QUALIFICATION AS ELIGIBLE PROPERTY.**

The legal description of the LDFA area is in Appendix A. A list of all LDFA eligible and ineligible properties is in Appendix C.

Job Creation

Section 12 (2) (k)	**AN ESTIMATE OF THE NUMBER OF JOBS CREATED AS A RESULT OF THE IMPLEMENTATION OF THE TAX INCREMENT FINANCING PLAN.**

Based on research completed by the City of Rochester Hills, an average of 246 new jobs (based on 6 businesses starting each year) is expected annually for the LDFA. The LDFA can be expected to generate approximately 3,895 jobs over the build-out period. The report entitled "Employment Figures in the LDFA" may be obtained from the City of Rochester Hills Planning Department.