

DDA Board of Directors

Monday, January 27, 2020 at 3:30 p.m.

LOCATION

City Hall Conference Room 3rd Floor Room 302A

Informational Meeting

AGENDA

- | | |
|--|------------------|
| 1. Call to order | Chair |
| 2. Welcome and Introductions | Chair |
| 3. Approval of minutes from October 28, 2019 (action required) | Chair |
| 4. Financials (action required) | Finance Director |
| a. FY 2019 Audit Presentation (review and accept) | |
| b. FY 2019 Annual Report (review and accept) | |
| c. Interim financial statements (review and accept) | |
| 5. Battle Rock Development Agreement (action required) | Staff |
| 6. Land Option | Staff |
| 7. Project Update | Staff |
| a. Real Estate Improvement Fund | |
| b. Battle Rock | |
| c. McCamly Plaza | |
| d. Milton Tower | |
| e. Other | |
| 8. Member/Citizen comment | |
| 9. Adjourn | Chair |

Attachments

- Agenda
- Minutes from October 28, 2019
- Fiscal Year 2019 Audit
- FY 2019 Annual Report
- Interim financials through December 2019
- Battle Rock development agreement (revised)
- Purchase option map
- Bratcher market study
- Real Estate Improvement Fund, project map
- DDA 2020 meeting schedule

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS
Monday, October 28, 2019

MEMBERS PRESENT: Ross Simpson, Paul Conkey, Edward Guzzo, Cody Newman, John Godfrey, Nelson Karre, Kim Carter
Ex-Officio: Commissioner Susan Baldwin, Commissioner Kate Flores

ABSENT: Rebecca Fleury, Kyra Wallace

OTHERS PRESENT: Ted Dearing, Linda Morrison, John Hart and Sarah McGinnis

Call to order: Mr. Conkey called meeting to order at 3:30pm.

Welcome new member Nelson Karre. City Clerk Victoria Houser administered oath of office.

Approval of Minutes:

MOTION: Mr. Godfrey moved that the Battle Creek Downtown Development Authority Board of Directors approve the meeting minutes from July 22, 2019 with changes. Mr. Newman supported the motion. Unanimously approved.

Preliminary Year End (FY19) update:

Linda Morrison reviewed the preliminary FY19 (year ending 6/30/19) statement; revenue is over expenditures \$261,826. The annual audit is currently on going. There was a property tax reconciliation correction during audit preparation increasing tax increment revenue by \$347,068, There may be one additional adjustment for the year end to recognize approximately \$100,000 bad debt expense in the DDA general fund. This is the result of a payoff from a Direct Investment Fund borrower that sold the business in late September. The payoff is less than the amount borrowed. This 2006 loan was partially from the DIF and partially from the DDA general fund. Working through the details, more information to follow.

MOTION: Mr. Nelson moved that the Battle Creek Downtown Development Authority Board of Directors approve the preliminary financial statements as presented. Mr. Guzzo supported the motion. Unanimously approved.

Review Interim Financial statements:

Ms. Morrison reviewed the interim financial statements for the three months ended 9/30/19. The \$2.8 Million-debt service payment will not be paid until May 2020, resulting in revenues over expenditures for the three months of \$2,791,833. Tax Increment Revenue is much larger than last year because of state legislation changes and increases in taxable value. The \$20,000 street construction project approved at the last meeting has been added to the statement. Discussion about the need for \$150,000 funding for the Battle Rock project;

MOTION: Mr. Simpson moved that the Battle Creek Downtown Development Authority Board of Directors approve the interim financial statements as presented. Mr. Guzzo supported the motion. Unanimously approved.

MOTION: Mr. Guzzo moved that the Battle Creek Downtown Development Authority Board of Directors approve a budget adjustment for the \$150,000 Battle Rock Project. Mr. Simpson supported the motion. Unanimously approved.

Project Report – Ted Dearing/John Hart:

Real Estate Improvement Fund: This grant initiative helps address any gap-financing issues for new businesses downtown. The program offers businesses easier access to resources imperative for long-term success. This is a great tool to get projects done. To date, the Fund has announced support for three projects. More information coming soon.

Battle Rock: The project is moving forward. Still getting approvals. Would like to start construction in 2020.

McCamly Plaza Hotel: Regulatory challenges are slowing the process of renovations. Costs have increased. They need a Capital Investor to complete. Certainly regulatory requirement must be completed this week to maintain their current certificate of occupancy.

Milton Tower: The construction is coming along great! Pictures and updates are available online. They have full electricity in the building. Internal work is currently being completed. Exterior elevator should be removed by December. There will be facade work that will close the sidewalk in front of 64 W. Michigan coming soon.

Other:

- The owners of Arcadia are working on the roof replacement. Hoping to have that completed before winter.
- Horrock's is still considering moving to Beckley Rd. No commitments have been made, still discussing.
- The nuisance complaint against EconoLodge has a scheduled hearing on November 4th, 2019. The City is coordinating with others to assist any residents displaced by legal action.
- The city continues to explore options to deal with structural issues at 34 E. Michigan.

Member/Citizen Comments: Mr. Simpson stated the homeless/vagrant problem downtown is getting worse. There is no police presence in the evening and on weekends..

Adjourn:

4:55pm

DRAFT

BATTLE CREEK DOWNTOWN
DEVELOPMENT AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)

Year Ended
June 30, 2019

Financial
Statements and
Supplementary
Information

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 19, 2019

To the Board of Directors of the
Battle Creek Downtown Development Authority
City of Battle Creek, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Battle Creek Downtown Development Authority, a component unit of the City of Battle Creek, Michigan* (the "Authority") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Battle Creek Downtown Development Authority's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The Battle Creek Downtown Development Authority (the "Authority") was established March 6, 1979 pursuant to Public Act 197 of 1975. The Authority is a component unit of the City of Battle Creek, Michigan and presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2019.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to some of the Authority's basic financial statements. The basic financial statements include the following (among others):

- The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year.
- The balance sheet and statement of revenues, expenditures and changes in fund balances - governmental funds focuses on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.
- The statement of revenues, expenditures and changes in fund balance - budget and actual - general fund presents information showing the comparison of the Authority's actual revenues and expenditures to what was budgeted.
- The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown below, the Authority's liabilities exceeded its assets and deferred outflows of resources by \$27,962,747 at the end of the fiscal year, of which \$1,237,667 was restricted for loan commitments and lending activities. That leaves a deficit balance of \$29,200,414 in unrestricted net position.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

A comparative analysis of the data is presented below:

	Net Position					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 535,072	\$ 747,839	\$ 1,237,667	\$ 1,446,746	\$ 1,772,739	\$ 2,194,585
Deferred outflows of resources						
Deferred charge on refunding	1,335,902	1,458,111	-	-	1,335,902	1,458,111
Liabilities						
Other liabilities	224,484	675,890	-	199,996	224,484	875,886
Long-term debt	30,846,904	32,236,388	-	-	30,846,904	32,236,388
Total liabilities	31,071,388	32,912,278	-	199,996	31,071,388	33,112,274
Net position						
Restricted for loan commitments and lending activity	-	-	1,237,667	1,246,750	1,237,667	1,246,750
Unrestricted (deficit)	(29,200,414)	(30,706,328)	-	-	(29,200,414)	(30,706,328)
Total net position	\$ (29,200,414)	\$ (30,706,328)	\$ 1,237,667	\$ 1,246,750	\$ (27,962,747)	\$ (29,459,578)

When comparing the current year change in net position of \$1,496,831 to the prior year change of \$1,168,248, the primary reasons for the increase are increased property tax revenue of \$229,625, a decrease in operating grants and contributions of \$254,046 due to a decrease in the state aid revenue through the personal property tax reimbursements in the current year, and a decrease in expenses of \$286,344 due to a decrease in the interest on long-term debt based on the scheduled payments.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

	Change in Net Position					
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 26,607	\$ 23,701	\$ 2,824	\$ 3,482	\$ 29,431	\$ 27,183
Operating grants and contributions	1,449,833	1,687,876	-	16,003	1,449,833	1,703,879
General revenues:						
Property taxes	1,758,180	1,528,555	-	-	1,758,180	1,528,555
Unrestricted investment earnings (loss)	27,435	(12,097)	32,756	7,876	60,191	(4,221)
Total revenues	3,262,055	3,228,035	35,580	27,361	3,297,635	3,255,396
Total expenses	1,756,141	2,051,525	44,663	35,623	1,800,804	2,087,148
Change in net position	1,505,914	1,176,510	(9,083)	(8,262)	1,496,831	1,168,248
Net position, beginning of year	(30,706,328)	(31,882,838)	1,246,750	1,255,012	(29,459,578)	(30,627,826)
Net position, end of year	<u>\$ (29,200,414)</u>	<u>\$ (30,706,328)</u>	<u>\$ 1,237,667</u>	<u>\$ 1,246,750</u>	<u>\$ (27,962,747)</u>	<u>\$ (29,459,578)</u>

Governmental funds. As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$318,993 an increase of \$163,454 from the prior year. This is a result of an increase in property tax revenue.

The fund balance of the Authority's general fund increased by \$163,454 during the current fiscal year. This fluctuation is a result of the property tax revenues being more than projected.

Proprietary fund. The Authority's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The net position of the revolving loan enterprise fund at the end of the year amounted to \$1,237,667 all of which is restricted for loan commitments and lending activity. The fund had a decrease in total net position for the year of \$9,083. This decrease is a result of the increase in loan loss provision expenses this year.

General Fund Budgetary Highlights

The general fund original adopted budget reflected revenues in excess of expenditures and an addition to fund balance of \$102,791. Mid-year budget adjustments were made to reflect a decrease in the projected property tax revenues collections and decrease in intergovernmental state revenue resulting in a budgeted decrease in fund balance of \$117,210. Ultimately actual revenues were in excess of the budget (primarily related to personal property taxes) in an amount greater than expenditures. This results in the increase of fund balance for the fiscal year of \$163,454.

Long-term Debt

At the end of the current fiscal year, the Authority had total debt outstanding of \$30,130,000, along with \$716,904 of unamortized bond issuance premiums.

The Pipeline Bonds Debt fund accounts for the repayment of the outstanding debt. Principal payments were \$1,270,000 during the current year.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Economic Factors

The Authority's expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made. During 2019, community development expenses were \$490,202, which included support for the Kellogg Arena, downtown economic development costs, and administrative expenses.

Contacting the Battle Creek Downtown Development Authority

This financial report is designed to provide a general overview of the Battle Creek Downtown Development Authority's finances and to show accountability for the money it receives and expends. The financial statements are available on the City's website: www.battlecreekmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, MI 49016-1717.

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BASIC FINANCIAL STATEMENTS

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BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 200,740	\$ -	\$ 200,740
Cash and cash equivalents	-	13,923	13,923
Investments	-	1,034,164	1,034,164
Accounts receivable	3,419	51,603	55,022
Taxes receivable	193,062	-	193,062
Interest receivable	36,227	2,584	38,811
Loans receivable, net:			
Due within one year	-	125,644	125,644
Due in more than one year	-	111,373	111,373
Internal balances	101,624	(101,624)	-
Total assets	535,072	1,237,667	1,772,739
Deferred outflows of resources			
Deferred charge on refunding	1,335,902	-	1,335,902
Liabilities			
Accounts payable and accrued liabilities	21,323	-	21,323
Accrued interest payable	201,467	-	201,467
Unearned revenue	1,694	-	1,694
Long-term debt:			
Due within one year	1,554,484	-	1,554,484
Due in more than one year	29,292,420	-	29,292,420
Total liabilities	31,071,388	-	31,071,388
Net position			
Restricted for loan commitments and lending activity	-	1,237,667	1,237,667
Unrestricted (deficit)	(29,200,414)	-	(29,200,414)
Total net position	\$ (29,200,414)	\$ 1,237,667	\$ (27,962,747)

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Community development	\$ 490,202	\$ 26,607	\$ 1,449,833	\$ 986,238
Interest on long-term debt	1,265,939	-	-	(1,265,939)
Total governmental activities	1,756,141	26,607	1,449,833	(279,701)
Business-type activities				
Revolving loans	44,663	2,824	-	(41,839)
Total	\$ 1,800,804	\$ 29,431	\$ 1,449,833	\$ (321,540)

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Activities

For the Year Ended June 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net expense	\$ (279,701)	\$ (41,839)	\$ (321,540)
General revenues:			
Property taxes	1,758,180	-	1,758,180
Unrestricted investment earnings	27,435	32,756	60,191
Total general revenues	1,785,615	32,756	1,818,371
Change in net position	1,505,914	(9,083)	1,496,831
Net position, beginning of year	(30,706,328)	1,246,750	(29,459,578)
Net position, end of year	\$ (29,200,414)	\$ 1,237,667	\$ (27,962,747)

concluded.

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2019

	General	Pipeline Bonds Debt Service	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 200,740	\$ -	\$ 200,740
Accounts receivable	3,419	-	3,419
Taxes receivable	193,062	-	193,062
Interest receivable	36,227	-	36,227
Due from other funds	101,624	-	101,624
Total assets	\$ 535,072	\$ -	\$ 535,072
Liabilities			
Accounts payable	\$ 21,323	\$ -	\$ 21,323
Unearned revenue	1,694	-	1,694
Total liabilities	23,017	-	23,017
Deferred inflows of resources			
Unavailable revenue - property taxes	193,062	-	193,062
Fund balances			
Unassigned	318,993	-	318,993
Total liabilities, deferred inflows of resources and fund balances	\$ 535,072	\$ -	\$ 535,072

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds	\$ 318,993
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred charges on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for statement of net position.	1,335,902
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Unavailable taxes receivable	193,062
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(30,130,000)
Accrued interest on bonds	(201,467)
Unamortized bond premium	<u>(716,904)</u>
Net position of governmental activities	<u>\$ (29,200,414)</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General	Pipeline Bonds Debt Service	Total Governmental Funds
Revenues			
Property taxes	\$ 1,693,578	\$ -	\$ 1,693,578
Intergovernmental - state	1,449,833	-	1,449,833
Unrestricted investment earnings	27,435	-	27,435
Rents and leases	26,607	-	26,607
Total revenues	3,197,453	-	3,197,453
Expenditures			
Community development	490,202	-	490,202
Debt service:			
Principal	-	1,270,000	1,270,000
Interest and fiscal charges	-	1,273,797	1,273,797
Total expenditures	490,202	2,543,797	3,033,999
Revenue over (under) expenditures	2,707,251	(2,543,797)	163,454
Other financing sources (uses)			
Transfers in	-	2,543,797	2,543,797
Transfers out	(2,543,797)	-	(2,543,797)
Total other financing sources (uses)	(2,543,797)	2,543,797	-
Net change in fund balances	163,454	-	163,454
Fund balances, beginning of year	155,539	-	155,539
Fund balances, end of year	\$ 318,993	\$ -	\$ 318,993

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 163,454
Amounts reported for governmental activities in the statement of activities are different because:	
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	1,270,000
Amortization of deferred charge on refunding	(122,209)
Amortization of bond issuance premium	119,484
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable taxes receivable	64,602
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on bonds	<u>10,583</u>
Change in net position of governmental activities	<u><u>\$ 1,505,914</u></u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,623,155	\$ 1,344,494	\$ 1,693,578	\$ 349,084
Intergovernmental - state	1,817,933	1,449,833	1,449,833	-
Unrestricted investment earnings	-	-	27,435	27,435
Rents and leases	23,700	23,700	26,607	2,907
Total revenues	3,464,788	2,818,027	3,197,453	379,426
Expenditures				
Community development	638,200	391,440	490,202	98,762
Revenues over expenditures	2,826,588	2,426,587	2,707,251	280,664
Other financing uses				
Transfers out	(2,723,797)	(2,543,797)	(2,543,797)	-
Net change in fund balance	102,791	(117,210)	163,454	280,664
Fund balance, beginning of year	155,539	155,539	155,539	-
Fund balance, end of year	\$ 258,330	\$ 38,329	\$ 318,993	\$ 280,664

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Net Position

Revolving Loan Enterprise Fund

June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 13,923
Investments	1,034,164
Accounts receivable	51,603
Interest receivable	2,584
Current portion of loans receivable, net	<u>125,644</u>
Total current assets	1,227,918

Noncurrent assets -

Loans receivable, net of current portion	<u>111,373</u>
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Total assets 1,339,291

Liabilities, all current

Due to other funds	<u>101,624</u>
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Net position

Restricted for loan commitments and lending activity	<u><u>\$ 1,237,667</u></u>
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The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Position

Revolving Loan Enterprise Fund
For the Year Ended June 30, 2019

Operating revenues	
Charges for services	\$ 2,824
Operating expenses	
Professional services	<u>44,663</u>
Operating loss	(41,839)
Nonoperating revenues	
Investment earnings	<u>32,756</u>
Change in net position	(9,083)
Net position, beginning of year	<u>1,246,750</u>
Net position, end of year	<u><u>\$ 1,237,667</u></u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Cash Flows

Revolving Loan Enterprise Fund
For the Year Ended June 30, 2019

Cash flows from operating activities	
Loans collected from borrowers	\$ 18,003
Interest and fees on loans	2,824
Loans made to borrowers	(100,000)
Administrative and other expenses paid	<u>(31,491)</u>
Net cash used in operating activities	<u>(110,664)</u>
Cash flows from investing activities	
Purchase of investments	(196,477)
Proceeds from sale of investments	239,102
Investment income received	<u>32,756</u>
Net cash provided by investing activities	<u>75,381</u>
Net change in cash and cash equivalents	(35,283)
Cash and cash equivalents, beginning of year	<u>49,206</u>
Cash and cash equivalents, end of year	<u>\$ 13,923</u>
Cash flows from operating activities	
Operating loss	\$ (41,839)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	4,786
Interest receivable	(740)
Loans receivable	25,501
Due to other funds	<u>(98,372)</u>
Net cash used in operating activities	<u>\$ (110,664)</u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the activities of the Battle Creek Downtown Development Authority (the "Authority"). The Authority was established March 6, 1979 pursuant to Public Act 197 of 1975. The primary purpose of the Authority is to revitalize and encourage economic activity in the downtown business district. The Authority's activities are primarily funded through tax increment financing, bonded debt and revolving loans.

The Authority is a component unit of the City of Battle Creek, Michigan (the "City") because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements

The statements of net position and activities display information about the financial activities of the Authority. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the Authority's governmental and business-type activities. Governmental activities generally are financed through taxes and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for revolving loans.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide information about the Authority's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary funds financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

The Authority reports the following major governmental funds:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those accounted for and reported in another fund.

The *pipeline bonds debt service fund* is used to account for and report financial resources that are restricted or committed to expenditure for principal and interest.

The Authority reports the following major enterprise fund -

The *revolving loan enterprise fund* is used to account for loans made to local businesses.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Authority currently has no assigned fund balance as the Board has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Capital Assets

The Authority has no capital assets for which it holds legal ownership. Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems constructed by the Authority, are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Budgetary Information

The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year.

For the year ended June 30, 2019, the Authority incurred general fund expenditures in excess of the amounts appropriated for community development of \$98,762.

2. CASH AND INVESTMENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and deposits in the City's cash and investment pool.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Authority and City's investment policies follow the State's guidelines.

At year-end, the carrying amount of the Authority's deposits in the City's internal cash management pool was \$200,740. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City's basic financial statements.

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

The Authority's remaining deposits and investments, which are entirely recorded in the revolving loan fund (business-type activity), include the following:

Deposits	\$ 13,923
Investments	<u>1,034,164</u>
Total	<u><u>\$ 1,048,087</u></u>

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. As of June 30, 2019, the carrying amounts of the Authority's deposits were \$13,923 and the bank balance was \$13,923. The full amount is FDIC insured.

Investments

At year end, the revolving loan fund's investment balances were as follows:

	Fair Value	Rating
U.S. agencies	\$ 269,372	AA+ S&P
Money market account	<u>764,792</u>	AAA S&P
	<u><u>\$ 1,034,164</u></u>	

Custodial Credit Risk - Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the revolving loan fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although uninsured and unregistered, the revolving loan fund investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the revolving loan fund's name.

Concentration of Credit Risk. At June 30, 2019, the investment portfolio of the revolving loan fund was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal National Mortgage Association	11.29%
	Federal Home Loan Mortgage Corporation	14.76%
Money market account	Fifth Third Securities	73.95%

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

Interest Rate Risk. As of June 30, 2019, the maturities of the revolving loan fund's investments were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)			
		Less Than 1 Year	1-5 Years	6-10	More Than 10
U.S. agencies	\$ 269,372	\$ -	\$ -	\$ -	\$ 269,372
Money market account	764,792	764,792	-	-	-
	<u>\$ 1,034,164</u>	<u>\$ 764,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,372</u>

Fair Value. The revolving loan fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the revolving loan fund's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager, if necessary.

The revolving loan fund's recurring fair value measurements as of June 30, 2019 were related to its investments in government agency funds and a money market account. The investments in government agency funds are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs). The money market account is valued using quoted prices in active markets (Level 1 inputs).

3. LOANS RECEIVABLE

The details of loans receivable outstanding as of June 30, 2019 are as follows:

Total loans outstanding	\$ 273,068
Less allowance for loan losses	<u>(36,051)</u>
Net loans outstanding	<u>\$ 237,017</u>

Of this amount, \$125,644 is expected to be collected within one year.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, was as follows:

Due to other funds	Due from other funds
	General
Revolving loan enterprise fund	<u>\$ 101,624</u>

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

For the year ended June 30, 2019, interfund transfers are summarized as follows:

Transfers In	Transfers Out
	General
Pipeline bonds debt service	<u>\$ 2,543,797</u>

Transfers into the debt service fund are used to move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

5. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of June 30, 2019:

	Interest Rate	Date of Maturity	Outstanding Principal
Limited tax general obligation bonds			
2017 downtown development refunding	2.836% - 3.984%	5/1/2034	\$ 22,260,000
2018 downtown development refunding	2.000% - 5.000%	5/1/2025	<u>7,870,000</u>
Total limited tax general obligation bonds			<u>\$ 30,130,000</u>

Annual debt service requirements to maturity for the Authority's debt are as follows:

Year Ending June 30,	Authority Obligation	
	Principal	Interest
2020	\$ 1,435,000	\$ 1,208,797
2021	1,515,000	1,137,047
2022	1,610,000	1,061,297
2023	1,620,000	980,797
2024	1,690,000	912,131
2025-2029	10,060,000	3,478,510
2030-2034	<u>12,200,000</u>	<u>1,469,946</u>
	<u>\$ 30,130,000</u>	<u>\$ 10,248,525</u>

Changes in Long-term Debt

Long-term liability activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 31,400,000	\$ -	\$ (1,270,000)	\$ 30,130,000	\$ 1,435,000
Issuance premiums	<u>836,388</u>	<u>-</u>	<u>(119,484)</u>	<u>716,904</u>	<u>119,484</u>
	<u>\$ 32,236,388</u>	<u>\$ -</u>	<u>\$ (1,389,484)</u>	<u>\$ 30,846,904</u>	<u>\$ 1,554,484</u>

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements

6. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it is available to pay current obligations.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Downtown Development Authority district to the extent that the current taxable value exceeds the base year taxable value. The base year of initial properties was 1979, the inception date of the Authority. The base year on other properties is determined by the date of entry into the district; the Authority district was expanded in 1985, 1987 and 1993, and was reduced in 2000.

Renaissance zone property is tax abated property against which property taxes are not currently levied, but in the near future may return or revert to the ad valorem tax rolls. Similarly, industrial and commercial facility tax properties are abated personal property that receive up to a 50% reduction in the millage rate for a stated number of years as approved by the City of Battle Creek, Michigan (or applicable taxing jurisdiction).

The captured increments in taxable value for the 2018 levy are summarized below:

Ad valorem property	\$ 28,700,197
IFT* / CFT** / other property	<u>2,121,090</u>
Total	<u>\$ 30,821,287</u>

* IFT - Industrial Facility Tax
** CFT - Commercial Facility Tax

7. CONTINGENCIES

The Authority is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for 2019. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. An estimate of the Authority's maximum exposure is approximately \$260,000 in taxable value. The City and Authority are vigorously defending all litigation.

The Authority has filed various tax increment capture and personal property tax exemption loss forms with the Michigan Department of Treasury for their review and have received reimbursement. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any amounts which may be adjusted by the Department of Treasury cannot be determined at this time although the government expects such amounts, if any, to be immaterial.



SUPPLEMENTARY INFORMATION

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

1. State Equalized Value (SEV) and Taxable Value (TV) of Ad Valorem Tax Roll

Assessed Value as of	Year of	Fiscal Year Ended	Ad Valorem SEV	
			December 31,	Tax Levy
2017	2018	2019	\$ 193,626,913	-3.76%
2016	2017	2018	201,195,723	-4.23%
2015	2016	2017	210,078,194	-31.80%
2014	2015	2016	308,053,399	0.69%
2013	2014	2015	305,941,698	-1.06%
2012	2013	2014	309,216,375	-1.29%
2011	2012	2013	313,271,287	-2.84%
2010	2011	2012	322,432,246	-2.95%
2009	2010	2011	332,233,669	-3.22%
2008	2009	2010	343,277,363	10.49%

Note - Tax Year 2016 is the first year for Eligible Manufacturing Personal Property Exemption per legislative action.

2. Taxable Value (TV) of Ad Valorem Tax Roll by Use

Fiscal Year Ended	Homestead			
	June 30,	Residential	Agriculture	Commercial
2019	\$ 8,725,950	\$ -	\$ 21,298,401	\$ 21,434,123
2018	7,949,920	-	22,032,102	25,928,056
2017	8,175,733	-	22,021,857	33,948,507
2016	8,587,134	-	22,858,332	131,717,181
2015	8,407,623	-	22,525,895	131,321,583
2014	8,354,061	-	18,819,482	129,906,757
2013	9,048,307	-	18,652,976	130,111,440
2012	9,523,796	-	19,044,320	134,949,930
2011	10,042,466	-	19,279,450	136,840,201
2010	10,051,578	-	18,296,458	143,316,212



Ad Valorem TV	
Amount	% Change
\$ 182,769,923	-3.59%
189,567,453	-6.00%
201,662,381	-33.08%
301,356,020	0.05%
301,190,549	-0.74%
303,449,276	-0.82%
305,957,010	-2.37%
313,385,680	-1.68%
318,737,466	-2.27%
326,124,199	12.56%

Non-Homestead			
Residential	Commercial	Industrial	Total
\$ 6,971,761	\$ 56,166,183	\$ 68,173,505	\$ 182,769,923
7,465,451	55,854,549	70,337,375	189,567,453
7,250,523	55,048,340	75,217,421	201,662,381
6,954,462	56,513,117	74,725,794	301,356,020
7,283,692	57,198,866	74,452,890	301,190,549
7,544,110	57,193,504	81,631,362	303,449,276
7,428,078	59,315,986	81,400,223	305,957,010
7,192,250	61,049,642	81,625,742	313,385,680
7,702,316	62,896,208	81,976,825	318,737,466
8,114,642	63,191,315	83,153,994	326,124,199

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

3. Taxable Value (TV) of Ad Valorem Tax Roll by Class

Fiscal Year Ended June 30,	Real	Personal	Total
2019	\$ 128,031,469	\$ 54,738,454	\$ 182,769,923
2018	130,293,036	59,274,417	189,567,453
2017	135,273,270	66,389,111	201,662,381
2016	136,919,762	164,436,258	301,356,020
2015	137,122,735	164,067,814	301,190,549
2014	139,718,189	163,731,087	303,449,276
2013	143,493,137	162,463,873	305,957,010
2012	145,766,488	167,619,192	313,385,680
2011	152,222,017	166,515,449	318,737,466
2010	154,054,943	172,069,256	326,124,199

4. Taxable Value (TV) of the Industrial Facilities Tax Roll by Class

Fiscal Year Ended June 30,	Real	Personal	Total
2019	\$ 9,109,542	\$ 1,523,330	\$ 10,632,872
2018	10,206,000	2,305,130	12,511,130
2017	10,891,863	2,706,002	13,597,865
2016	11,247,160	11,803,020	23,050,180
2015	11,380,799	12,718,056	24,098,855
2014	11,267,549	13,918,060	25,185,609
2013	10,445,996	15,346,973	25,792,969
2012	10,395,375	18,179,425	28,574,800
2011	3,844,597	17,454,949	21,299,546
2010	6,411,357	22,056,665	28,468,022

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

5. Property Tax Collections

Fiscal Year Ended June 30,	Taxes Levied	Collections to March 1	MBT Reimbursement	Total Collected
2019	\$ 1,693,578	\$ 1,693,578	\$ -	\$ 1,693,578
2018	1,604,095	1,604,095	-	1,604,095
2017	2,084,461	2,084,461	-	2,084,461
2016	3,216,185	3,216,185	1,809,449	5,025,634
2015	3,328,965	3,328,965	1,797,567	5,126,532
2014	3,750,487	3,750,487	1,488,727	5,239,214
2013	3,507,220	3,507,220	1,855,085	5,362,305
2012	3,699,017	3,699,017	2,047,872	5,746,889
2011	3,740,618	3,740,618	2,149,027	5,889,645
2010	4,253,023	4,253,023	2,199,899	6,452,922

Note - Starting in 2010 levied and collections to March 1 amounts are lower than prior year due to industrial and commercial exemptions per legislative action.

Note - Starting in 2017 levied and collections to March 1 amounts are lower than prior year due to capture loss in the current year.

6. Captured Property Tax Rates (per \$1,000 of value)

Fiscal Year Ended June 30,	(1) City	(2) Schools	(1) State Education Tax	County
2019	15.7490	18.0000	6.0000	5.3779
2018	15.7490	18.0000	6.0000	5.3779
2017	15.4190	18.0000	6.0000	5.3779
2016	14.7360	18.0000	6.0000	5.3779
2015	14.7360	18.0000	6.0000	5.3779
2014	14.7360	18.0000	6.0000	5.3779
2013	14.7360	18.0000	6.0000	5.3779
2012	14.7360	18.0000	6.0000	5.3779
2011	14.4760	18.0000	6.0000	5.3779
2010	14.4760	18.0000	6.0000	5.3779

(1) Levied on homestead and non-homestead properties.

(2) Levied on non-homestead properties only.

continued...

BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

Continuing Bond Disclosures (Unaudited)

7. Taxable Value of Ten Largest Ad Valorem Taxpayers (Fiscal Year Ended June 30, 2019)

Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1 Kellogg Company	Breakfast foods	\$ 59,050,439	32.31%
2 Kraft Foods Inc.	Breakfast foods	12,869,732	7.04%
3 Consumers Energy Co.	Electric utility	12,282,240	6.72%
4 Semco Energy Inc.	Natural gas utility	10,161,813	5.56%
5 North Pointe Woods	Office building	4,707,375	2.58%
6 Conagra Foods Inc.	Breakfast foods	3,314,561	1.81%
7 Trilogy Healthcare	Health care	2,855,412	1.56%
8 Graham Group, The	Medical office building	2,624,026	1.44%
9 Somerset Capital Group LTD	Investing	2,492,167	1.36%
10 Fifth Third Bank	Banking	2,309,382	1.26%
		<u>\$ 112,667,147</u>	<u>61.64%</u>

8. Taxable Value of Three Largest IFT Taxpayers (Fiscal Year Ended June 30, 2019)

Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1 Cello-Foil Products, Inc.	Packaging	\$ 989,741	9.31%
2 Covance Laboratories Inc.	Research and drug development	428,270	4.03%
3 Shouldice Brothers Sheet Metal	Metal Manufacturing	318,014	2.99%
		<u>\$ 1,736,025</u>	<u>16.33%</u>

concluded.

		\$	-
		\$	-
		\$	-
Transfers to other municipal fund (list fund name)	Transfers to Kellogg Arena Fund	\$	370,000
Transfers to other municipal fund (list fund name)	Transfers to DDA Pipeline Bonds	\$	2,543,797
	Transfers to General Fund	\$	-
	Total	\$	3,033,998
Outstanding non-bonded Indebtedness	Principal	\$	-
	Interest	\$	-
Outstanding bonded Indebtedness	Principal	\$	30,130,000
	Interest	\$	10,248,525
	Total	\$	40,378,525
Bond Reserve Fund Balance		\$	-

CAPTURED VALUES

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	\$ 8,924,912	\$ 1,938,815	\$ 6,986,097	21.7490000 \$151,940.62
Ad valorem non-PRE Real	\$ 113,838,721	\$ 69,305,702	\$ 44,533,019	39.7490000 \$1,770,142.97
Ad valorem industrial personal	\$ 19,797,506	\$ 48,071,368	\$ (28,273,862)	15.7490000 (\$445,285.05)
Ad valorem commercial personal	\$ 21,213,471	\$ 2,570,135	\$ 18,643,336	27.7490000 \$517,333.93
Ad valorem utility personal	\$ 12,078,760	\$ 1,047,850	\$ 11,030,910	39.7490000 \$438,467.64
Ad valorem other personal	\$ (4,967,661)	\$ 9,304,075	\$ (14,271,736)	39.7490000 (\$567,287.23)
IFT New Facility real property, 0% SET exemption	\$ 384,721	\$ -	\$ 384,721	25.8513500 \$9,945.56
IFT New Facility real property, 50% SET exemption	\$ -	\$ -	\$ -	0.0000000 \$0.00
IFT New Facility real property, 100% SET exemption	\$ 213,039	\$ -	\$ 213,039	19.8513500 \$4,229.11
IFT New Facility personal property on industrial class land	\$ 1,523,330	\$ -	\$ 1,523,330	10.8513500 \$16,530.19
IFT New Facility personal property on commercial class land	\$ -	\$ -	\$ -	0.0000000 \$0.00
IFT New Facility personal property, all other	\$ -	\$ -	\$ -	0.0000000 \$0.00
Commercial Facility Tax New Facility	\$ -	\$ -	\$ -	0.0000000 \$0.00
IFT Replacement Facility (frozen values)	\$ -	\$ -	\$ -	0.0000000 \$0.00
Commercial Facility Tax Restored Facility (frozen values)	\$ -	\$ -	\$ -	0.0000000 \$0.00
Commercial Rehabilitation Act	\$ -	\$ -	\$ -	0.0000000 \$0.00
Neighborhood Enterprise Zone Act	\$ -	\$ -	\$ -	0.0000000 \$0.00
Obsolete Property Rehabilitation Act	\$ -	\$ -	\$ -	0.0000000 \$0.00
Eligible Tax Reverted Property (Land Bank Sale)	\$ -	\$ -	\$ -	0.0000000 \$0.00
Exempt (from all property tax) Real Property	\$ -	\$ -	\$ -	0.0000000 \$0.00
Total Captured Value	\$ 132,237,945	\$ -	\$ 40,768,854	\$1,896,017.74 Total TIF Revenue

**City of Battle Creek
Downtown Development Authority**

Interim Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Fiscal Year To Date: 12/31/19

	Adopted Budget	Amended Budget	7/1/19-12/31/19 Transactions	Budget Variance Positive/(Negative)
<u>GENERAL FUND</u>				
GENERAL REVENUES:				
Tax Increment Revenue	\$ 2,986,727	\$ 2,986,727	\$ 3,362,578	375,851
State Aid Revenue (Personal Property Tax Replacement)	1,462,663	1,462,663	1,529,100	66,437
Prior Year Tax Increment Revenue	0	0	1,398	1,398
Rents	32,326	32,326	17,857	-14,469
Interest earnings	0	0	11,950	11,950
Miscellaneous	0	0	0	0
Total General Revenues	4,481,716	4,481,716	4,922,883	441,167
EXPENDITURES:				
Debt Service -				
	Term			
2017/2018 Bonds - Pipeline Refunding	2034/2025	2,644,797	2,644,797	604,398
2013 Capital Improvement Bonds	2033	180,000	180,000	33,611
Total Debt Service		2,824,797	2,824,797	638,009
General Operating Expenditures:				
Administration		16,200	16,200	10,292
CBD maintenance		456,551	456,551	228,276
CBD downtown plantings		50,000	50,000	25,000
Street construction		-	20,000	20,000
Downtown Policing		109,342	109,342	54,671
Kellogg Arena support		370,000	370,000	185,000
Economic Development Fund support		120,000	120,000	60,000
Downtown Special Project		-	150,000	-
Total General Operating Expenditures		1,122,093	1,292,093	583,239
TOTAL GENERAL FUND REVENUES	4,481,716	4,481,716	4,922,883	441,167
TOTAL GENERAL FUND EXPENDITURES	3,946,890	4,116,890	1,221,248	2,895,642
EXCESS REVENUES OVER (UNDER) OPER. EXPENDITURES	\$ 534,826	\$ 364,826	\$ 3,701,636	3,336,810
Fund Balance, beginning of year	417,366	318,993	318,993	
Fund Balance, ending (GENERAL FUND)	\$ 952,192	\$ 683,819	\$ 4,020,629	

DEVELOPMENT AGREEMENT
(50 West Michigan Avenue)

This Development Agreement (“Agreement”) is made as of _____ day of _____, 20____ (“Effective Date”) by and between 50 West Michigan Ave, LLC (“Developer/Owner”), a Michigan limited liability company whose address is 4602 Beckley Road, Battle Creek, Michigan 49015 and the Battle Creek Downtown Development Authority (“DDA”), a Michigan statutory downtown development authority created and operating pursuant to PA 197 of 1975, whose address is c/o City of Battle Creek, 10 N. Division Street, Battle Creek, Michigan 49037. DDA and the Developer/Owner may be referred to herein collectively as “Parties” or individually as “Party.”

Via board authorization on April 23, 2018, the DDA board of directors approved a budget amendment for fiscal year 2018 including a \$110,000 contribution for the proposed project (“Project”) at 50 W. Michigan Avenue (“Premises”) in downtown Battle Creek and adopted a budget for fiscal year 2019 that included an additional \$40,000 for the Project for a combined total of \$150,000 (“DDA Grant”). The budget amendment and fiscal year 2019 budget were approved via Resolutions 138 and 139 on May 1, 2018 by the Battle Creek City Commission.

It is a precondition to the release of funds from DDA to Developer/Owner that Developer/Owner and DDA enter into this Agreement. Accordingly, Developer/Owner and DDA hereby agree as follows:

1. **Special Development Obligations.** Developer/Owner shall fulfill all of the following obligations related to use of funds related to the Project and other matters (“Special Development Obligations”) on time and in full:

- a. Developer/Owner shall invest a minimum of \$2.0 million (\$2,000,000) (“Developer/Owner Investment”) in building construction and improvements (collectively “Building Improvements”) at the Premises (excluding furniture, fixtures and equipment) on or before the one-year anniversary of the release of funds from the DDA (“Fulfillment Date”). The Building Improvements shall include the “Hard Costs” described and referred to within the Michigan Community Revitalization Program (“MCRP”) Grant Agreement to be executed with the Michigan Strategic Fund (“MSF”).
- b. Developer/Owner shall employ at the Premises a minimum of three (3) full-time employees (“Employment Milestone”) and shall maintain employment of such number of employees at the Premises for a period of not less than one (1) year following commencement of operations at the Premises (“Grant Term”).
- c. In connection with achieving the Employment Milestone, Developer/Owner will solicit employment applications from and is encouraged to hire residents of the City of Battle Creek;
- d. During the Grant Term, Developer/Owner shall only allow the Premises to be used for a beginner and advanced rock climbing gym and fitness facility with office, retail space and

ancillary uses or other uses and purposes approved in advance by DDA in writing, which approval shall not be unreasonably withheld.

- e. Developer/Owner shall promptly (but in any event no later than ten (10) days following a request) provide written reports and documentation to DDA as reasonably requested by DDA from time to time to inform DDA of Developer/Owner's progress with respect to fulfillment of the Special Development Obligations.

2. **Grant Disbursement.** At the time of closing on the Developer/Owner's senior bank financing, DDA shall upon request of Developer/Owner, disburse to Developer/Owner's senior lender or the title company handling senior lender's closing the DDA Grant provided Developer/Owner is not then in default of any Special Development Obligations. All proceeds of the DDA Grant will be held in escrow and shall be invested in Building Improvements at the Premises (excluding furniture, fixtures and equipment), supplementing the Developer/Owner Investment. The senior lender or Title Company shall disburse the DDA Grant proportionately through the construction draw process in proportion to the other sources of funding.

3. **Other Grants.** DDA shall use its best efforts to assist Developer/Owner in identifying and obtaining other grants and incentives to assist with the development of the Premises as described in this Agreement. Developer/Owner acknowledges that DDA does not guarantee receipt by Developer/Owner of any other identified grant or incentive.

4. **Time of Essence.** Time is of the essence with respect to the Special Development Obligations and other matters set forth in this Agreement.

5. **Force Majeure.** For the purpose of any of the provisions of this Agreement, neither of the parties or their successors in interest shall be considered in breach of or default of their respective obligations if performance is delayed due to acts of God, force majeure, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, terrorism, mob violence, sabotage, equipment, facilities, materials or supplies in the open market, failure of transportation, strike, lockout, action of labor unions, a taking by eminent domain, requisition, laws or orders of government or of civil, military or naval authorities or any other cause whether similar or dissimilar, to the foregoing, not within the reasonable control of the party whose performance is required, including reasonable delays for adjustment of insurance, it being the purpose and intent of this Section that in the event of the occurrence of any such delays, the time or times for the performance of the covenants, provisions and agreements of this Agreement shall be extended for the period of the delay (including any time reasonably required to recommence performance due to such delay).

6. **General.** This Agreement may not be modified, changed, supplemented, or terminated, except by agreement and written instrument signed by the Parties.

7. **Choice of Law.** This Agreement shall be governed by and construed under the laws of the State of Michigan.

8. **Assignment of Agreement.** Neither Party may assign its rights or delegate its obligations under this Agreement without the consent of the other Party, which such consent will

not be unreasonably withheld. Developer/Owner's rights and liabilities under this Agreement shall inure to the benefit of and shall be an obligation of the Develop/Owner's successors and assigns, if any.

9. **Headings.** The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provisions of this Agreement.

10. **Waiver.** No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing to the Party making the waiver.

11. **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date defined above.

DEVELOPER/OWNER:

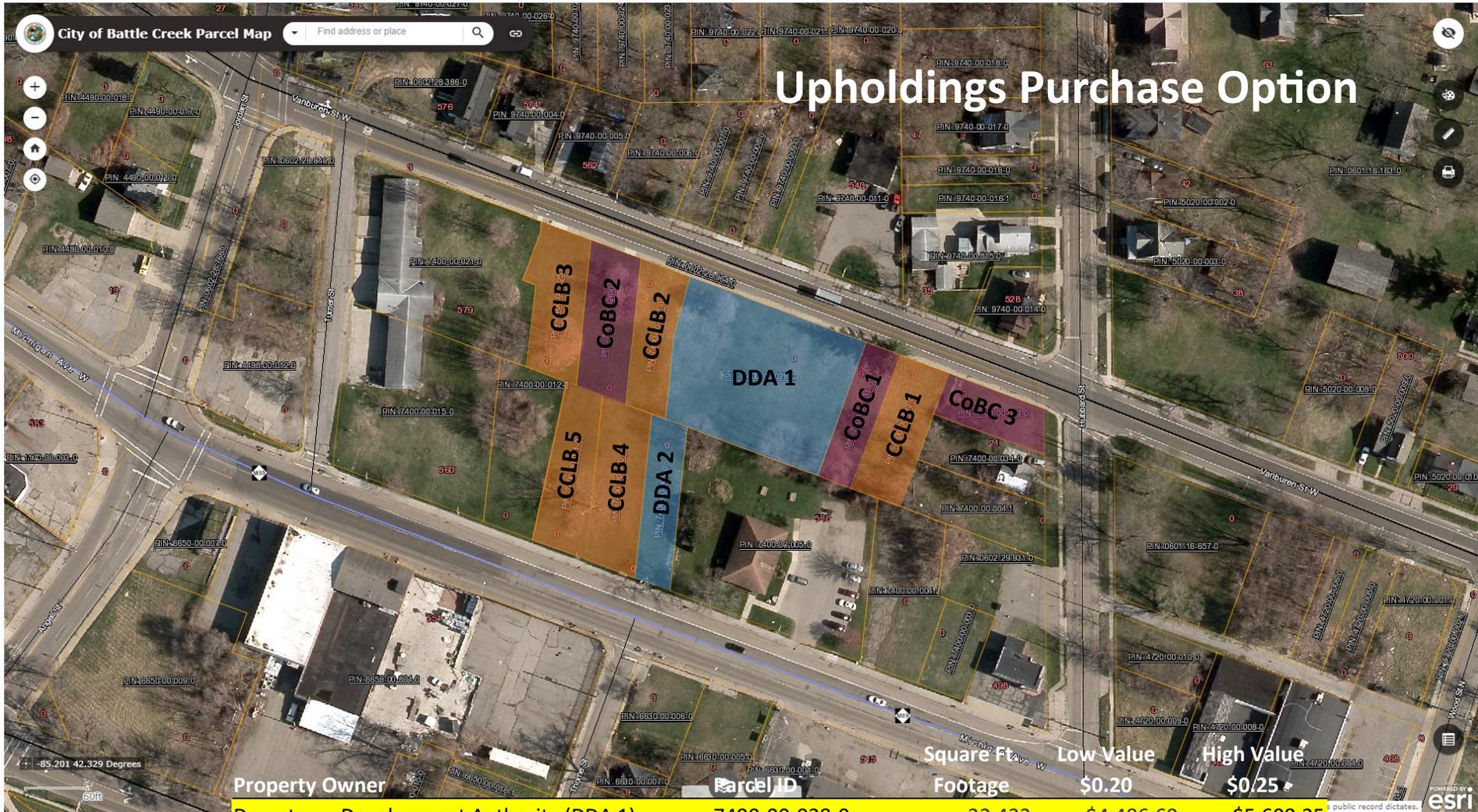
50 West Michigan Ave, LLC

By: _____
Its Manager

DDA:

Downtown Development Authority

By: _____
Paul Conkey, Board Chair



Property Owner	Parcel ID	Square Ft.	Low Value \$0.20	High Value \$0.25
Downtown Development Authority (DDA 1)	7400-00-028-0	22,433	\$4,486.60	\$5,608.25
Downtown Development Authority (DDA 1)	7400-00-009-0	5,358	\$1,071.60	\$1,339.50
City of Battle Creek (COBC 1)	7400-00-031-0	4,574	\$914.80	\$1,143.50
City of Battle Creek (COBC 2)	7400-00-026-0	6,839	\$1,367.80	\$1,709.75
City of Battle Creek (COBC 2)	7400-00-033-0	4,704	\$940.80	\$1,176.00
Calhoun County Land Bank (CCLB 1)	7400-00-032-0	6,490	\$1,298.00	\$1,622.50
Calhoun County Land Bank (CCLB 2)	7400-00-027-0	5,576	\$1,115.20	\$1,394.00
Calhoun County Land Bank (CCLB 3)	7400-00-025-0	6,970	\$1,394.00	\$1,742.50
Calhoun County Land Bank (CCLB 4)	7400-00-010-0	7,405	\$1,481.00	\$1,851.25
Calhoun County Land Bank (CCLB 5)	7400-00-011-0	6,665	\$1,333.00	\$1,666.25

**Market Study
Multiple Vacant Land Parcels
Michigan Avenue and Van Buren Street
Battle Creek, Michigan 49037**

**As Of
January 21, 2020**

**For
Calhoun County Land Bank Authority
City of Battle Creek**



**George E. Bratcher, Jr., MAI, ASA, CAE
424 Riverside Drive, Suite 100
Battle Creek, Michigan 49015**



GEORGE E. BRATCHER, JR., MAI, ASA

BRATCHER & ASSOCIATES

Real Estate Valuation/Consulting

(269) 965-1444 • FAX (269) 965-1505

gebratcher@sbcglobal.net

BratcherandAssociates.com

January 21, 2020

Ms. Krista Trout-Edwards, Executive Director
Calhoun County Land Bank Authority
315 W. Green Street
Marshall, Michigan 49068

Mr. Ted Dearing, Assistant City Manager
City of Battle Creek
10 N. Division Street
Battle Creek, Michigan 49014

RE: Market Study
Multiple Vacant Land Parcels
Michigan Avenue and Van Buren Street
Battle Creek, Michigan 49037

Ms. Trout-Edwards and Mr. Dearing:

In accordance with your request, attached is my market analysis of the above referenced project area. I have inspected the properties, gathered the necessary data and performed analyses on that data in order to provide a summary of local and regional market conditions.

This is a market analysis report which is intended to assist the client in understanding and explaining the real estate market within the subject area. As such, it presents a brief analysis of the data provided. It is only an analysis of market data and it does not render any opinion of value. The depth of discussion contained in this report is specific to the needs of the client, Calhoun County Land Bank Authority, and City of Battle Creek. The appraiser is not responsible for unauthorized use of this report.

It is noted this study is consultative in nature and lacks the analysis necessary to be considered an appraisal of the subject parcels; rather it is intended to provide market rates based on comparable sales in the project area. The appraiser cautions against the use of this study for any use other than the intended use stated herein.

Thank you for the opportunity to be of service in this matter. If you have any questions regarding the methods applied or the value concepts, please contact me at your convenience.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "GEB", written over a white background.

George E. Bratcher, Jr. MAI, ASA, CAE
Certified General Appraiser Michigan License No. 1201000203

GEB/psl

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CERTIFICATION

I certify that, to the best of my knowledge and belief.

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*, and the requirements of the *Code of Professional Ethics & Standards of Professional Appraisal Practice* of the Appraisal Institute.
9. I have made a personal drive by inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of appraisal, I George E. Bratcher, Jr., MAI, ASA, CAE have completed the requirements of the continuing education program of the Appraisal Institute.



George E. Bratcher, Jr., MAI, ASA
Certified General Appraiser
Michigan License No. 1201000203

January 21, 2020
Date

In Michigan, Appraisers are required to be licensed and are now regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, Michigan 48909.

INTRODUCTION

Definition of Value

Market Value

According to *The Appraisal of Real Estate*, 14th Edition, published by “The Appraisal Institute”, page 58 the definition of market value is:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

Intended Use and User

The intended use of this study is to assist the clients in decisions regarding asset management. The intended user of this study is the clients, Calhoun County Land Bank Authority, and City of Battle Creek. This market study report is not intended to be relied upon for any other use, or by any other party.

Effective Date of Value

January 21, 2020

Date of Report

January 21, 2020

Disclosure of Competency

George E. Bratcher, Jr., MAI, ASA, CAE, State of Michigan Certified General Appraiser (License No. 1201000203) personally inspected the subject project area. I assure the client I have the knowledge and experience necessary to complete this assignment competently. I have appraised similar properties in the past.

Scope of Assignment

The appraiser in connection with this assignment has:

1. Been retained by the client to make an objective analysis and valuation of the subject land values and to report, without bias, an estimate of market value in fee simple interest based on comparable sales.
2. Completed an on-site inspection of the project area and the comparable sales employed in this appraisal. The appraiser physically inspected the subject on January 21, 2020. The appraiser consulted the Assessor's Office and reviewed files pertaining to the project area.
3. Reviewed property information/documentation within the project area that has been relied upon for this assignment, including historical sales data that may have occurred in the past three years, public assessment records, plat maps and aerial photographs of the project and surrounding area.
4. Accumulated general data regarding the condition of the regional economy and area real estate market, including changing trends in the local market and how they may affect the value of the subject. Sources of data include the State of Michigan, the United States Bureau of Labor, the U.S. Census Bureau, Calhoun County and City of Battle Creek. I examined publications from the named sources for demographic data, growth forecasts, and employment data. Information from the county and city offices was reviewed to ascertain development patterns and trends.
5. A highest and best use analysis was not considered, given the nature of this assignment to indicate a market value per unit of vacant land for the subject.
6. The cost approach has no direct relevance in this assignment.
7. The sales comparison approach has relevance in this assignment. The sales comparison approach is considered applicable in determining market value. Property transfers were obtained by researching known sales of properties considered similar to the subject project area. Deed records and tax information was obtained from the other appraisers, public records, national databases, and area multiple-listing services. Buyers, sellers, or Realtors were contacted to verify transaction data and ensure that the sales were made at arm's length. Third party data sources were also utilized such as the Assessor's Office. The best information available was analyzed in the sales comparison approach and includes several vacant land sales located in the project area. The sales comparison approach is used to determine a range of value, it is not fully developed to arrive at a final value opinion for the individual parcels.
8. The income capitalization approach has no direct relevance in this assignment.
9. Either in whole or in part, all of this data has been utilized in the valuation process of the subject. This report is the culmination of the appraisers' research and professional opinion concerning the analysis of the current market condition, as of the effective date of this appraisal.

10. I have investigated and analyzed the factors that influence value, estimated market value per acre for the subject, organized and submitted this written report stating my findings and conclusions. This report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's file.
11. It is noted this study is consultative in nature and lacks the analysis necessary to be considered an appraisal of the subject parcels; rather it is intended to provide market rates based on comparable sales in the project area. The appraiser cautions against the use of this study for any use other than the intended use stated herein.

PROJECT AREA

The project includes multiple vacant land parcels located along Michigan Avenue and Van Buren Street between Turner Street and Hubbard Street. The properties are owned by Calhoun County Land Bank Authority, and City of Battle Creek. The sites range in size from 4,574 square feet (.105 acre) to 22,433 square feet (0.515 acre). The sites are vacant with no structural improvements. The sites are zoned R-2 Two Family Residential District, R-3B Multiple Family Residential, and C-3 Intensive Business District. The following is a summary of the land parcels included in the project area.

Calhoun County Land Bank Authority Parcels				
Parcel Number	Address	Land Size		Zoning
		Acre	Sq. Ft.	
7400-00-010-0	W Michigan Avenue	0.17	7,405	C-3
7400-00-011-0	W Michigan Avenue	0.153	6,665	C-3
7400-00-025-0	W Van Buren Street	0.16	6,970	R-2
7400-00-027-0	W Van Buren Street	0.128	5,576	R-2
7400-00-032-0	W Van Buren Street	0.149	6,490	R-3B
City of Battle Creek Parcels				
Parcel Number	Address	Land Size		Zoning
		Acre	Sq. Ft.	
7400-00-009-0	W Michigan Avenue	0.123	5,358	C-3
7400-00-026-0	W Van Buren Street	0.157	6,839	R-2
7400-00-028-0	W Van Buren Street	0.515	22,433	R-2
7400-00-031-0	W Van Buren Street	0.105	4,574	C-3; R-3B
7400-00-033-0	Hubbard Street	0.108	4,704	R-3B

Neighborhood Description

“Market areas are defined by a combination of factors-e.g., physical features, the demographic and socioeconomic characteristics of the resident or tenants, the condition of the improvements (age, upkeep, ownership, and vacancy rate), and land use trends”¹

The subject is located in the City of Battle Creek. Geographically, the Battle Creek metropolitan area is located in northwestern Calhoun County, which itself is located in south central Michigan. I-94 (east-west freeway) runs through the southern portion of the City of Battle Creek and provides convenient access to the major markets of Chicago (170 miles west) and Detroit (115 miles east). I-69 (north-south freeway) is a few miles east of the city. Lansing, the state capitol, is approximately 50 miles northeast. The county seat is in the City of Marshall, approximately 15 miles east.

Information obtained from Michigan Economic Development Corporation indicates the following demographics for the area (2019). Battle Creek has an estimated population of 50,730. The city has a total 23,734 housing units with 13,072 owner occupied and 8,568 renter occupied. The total labor force is 23,771 with an unemployment rate of 4.76%. The median household income is \$45,651.

Neighborhoods and their land uses typically evolve through a four-stage life cycle that consists of

1. Growth – a period during which the market area gains public favor and acceptance;
2. Stability – a period of equilibrium without marked gains or losses;
3. Decline – a period of diminishing demand; and
4. Revitalization – a period of renewal, redevelopment, modernization, and increasing demand.

The subject is within the West End Redevelopment Area (WERA). Area business owners and the City of Battle Creek have undertaken an effort to revitalize the area based on a substantial code enforcement initiative, improved infrastructure, and economic incentives. The effort is beginning to show results with new businesses, and renewed interest.

The immediate neighborhood is residential, commercial, and light industrial in nature. Commercial and industrial facilities are predominantly 50 to 75 years old, while the residential are two and three-story homes which are 75 to 100 years old.

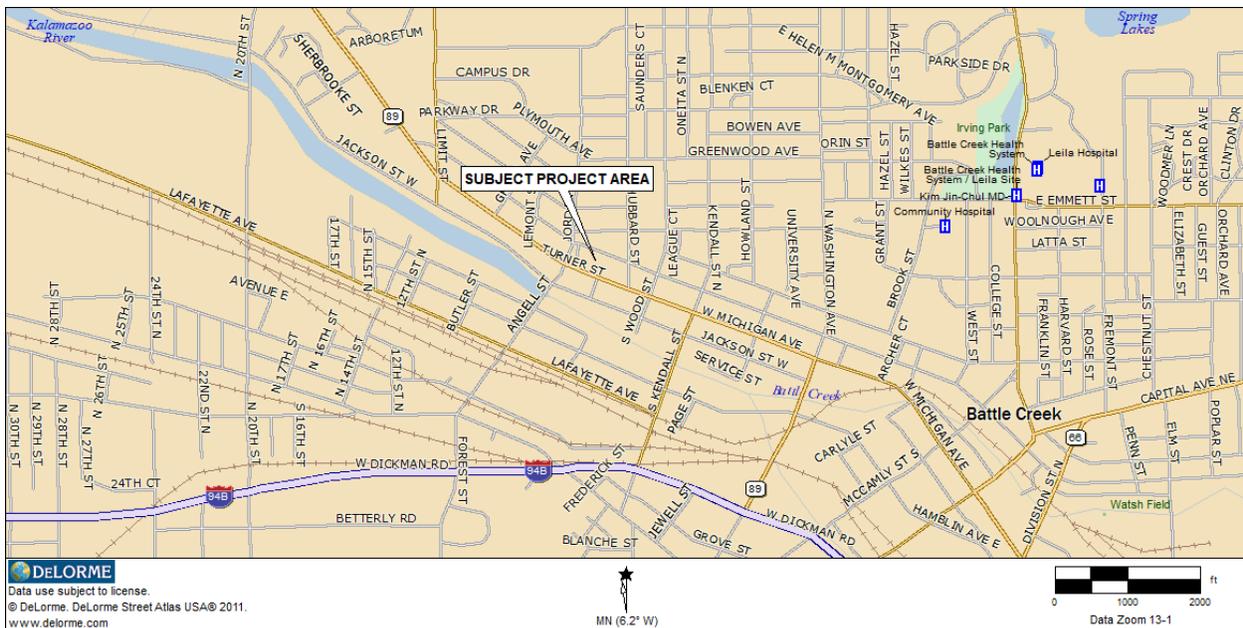
¹ *The Appraisal of Real Estate*, 14th Edition, published by “The Appraisal Institute”, page 166.

Michigan Avenue is a major east-west artery through the City of Battle Creek. Van Buren Street is a main east-west corridor that runs through the downtown area on the east and merges with Michigan Avenue further west of the project area. Both of these streets are developed with areas transitioning between commercial and residential uses.

The immediate neighborhood has been in various stages of decline for several years. Many of the properties are rental (non-owner occupied). Recent trends have seen the neighborhood stabilize as evidenced by the homes showing more pride of ownership. Further, the city's interest in increasing development in the west end has had a positive influence on the subject neighborhood.

All public utilities are available in the project area, including municipal water and sewer. Police and fire protection are provided by the City of Battle Creek Departments. A City bus system provides public transportation service throughout the city.

In conclusion, a composite overall view of the subject neighborhood indicates a mixed use commercial and residential area. Properties in the area are maintained in fair to average condition. The decline seems to have stabilized in the neighborhood, due in part to the city's increased devotion to economic improvement to the West End Redevelopment Area.



Exposure Time

Exposure time is defined in *The Dictionary of Real Estate Appraisal* 6th Edition as follows:

- “1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)”

Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented. (The Report of the Appraisal Institute Special Task Force on Value Definitions qualifies exposure time in terms of the three above-mentioned values.)

A study of the past 12 months indicates residential acreage had 570 to 856 days on market. There has been little to no demand for residential development land with 2 to 3 years as a realistic exposure time.

A study of the past 12 months indicates industrial sales with sufficient information to estimate days on market ranged from 122 to 728 days. I estimate the exposure time for industrial land to be 2 years.

There was insufficient information to estimate days on market for mobile home park development land.

Sales Study

According to *The Appraisal of Real Estate* 14th Edition as published by “The Appraisal Institute” six procedures can be used to obtain land value indication; Sales Comparison, Market Extraction, Allocation, Direct Capitalization: Land Residual Technique, Direct Capitalization: Ground Rent Capitalization, and Yield Capitalization: Discounted Cash Flow Analysis-Subdivision Analysis

All six procedures are derived from the three basic approaches to value. Sales comparison and income capitalization (i.e., ground rent capitalization) can be directly applied to land valuation. Allocation and extraction procedures reflect the influence of the sales comparison and cost approaches; the land residual technique is based on the income capitalization and cost approaches. Subdivision development draws on elements of all three approaches.

The methods of land valuation involving market extraction, allocation, land residual technique, ground rent capitalization, and subdivision analysis cannot be applied to the subject due to the nature of the market and its conditions. The sales comparison procedure will be used.

Sales comparison is most reliable in estimating value when enough comparable properties, relative to the subject having a similar highest and best use, are available. There was sufficient data to indicate the value via the sales comparison approach within the subject market.

When valuing land it is often necessary to analyze differences in size and shape of comparable sale properties in order to apply uniform methods of valuation and to compare directly sites of varying size and shape. Care must be exercised in selecting the unit of comparison. Four basic units of comparison are used to value sites:

1. Front foot
2. Square foot
3. Acre or Section
4. Site (lot)

Typical unit of measurement in this market is price per acre, which will be used in my analysis.

Market data can be found from many sources. Real estate appraisers typically utilize local and regional Multiple Listing Services (MLS's) as reliable and efficient sources of market data. Other sources include local assessors, county equalization departments, real estate sales brokers, professional data providers and even other real estate appraisers.

A study was performed using the SWMRIC MLS system, and Costar data and found one useful commercial sale to include in the market analysis. A review of sales data at the Assessor's office uncovered four more useful commercial sales.

I found four residential sales which sold between 6/2015 and 1/2020. The sale price per square foot ranged from \$0.02 to \$0.07. Clearly there is little to no market for residential vacant lots in the northwest portion of Battle Creek.

Several attempts were made to contact the city planning staff to determine the future land use for the subject area; these attempts were unsuccessful. The website for the City regarding the updated Master Plan was not useful in determining the future land uses for the subject properties. I will assume that the parcels could either be used for commercial development or residential zoned parcels which could be part of commercial development (i.e. parking). For that reason I will apply the same rate to each parcel.

The following table summarizes the available information for land sales in the Battle Creek area.

LAND SALES						
Sale	Location	Sale Date	Sale Price	Land Size (Sq. Ft.)	Sale Price/Sq. Ft.	Zoning
1	Angell Street	1/23/2015	\$12,000	53,230	\$0.23	I-2
2	292 Capital Ave. SW	12/18/2015	\$1,000	8,407	\$0.12	C-3
3	W Van Buren Street	1/25/2016	\$1,500	8,712	\$0.17	C-3
4	W Van Buren Street	1/11/2018	\$24,000	60,984	\$0.39	R-3B/C-3
5	W Van Buren Street	6/1/2018	\$5,500	26,833	\$0.20	C-3
6					#DIV/0!	

An analysis of the above sales data indicates a range of value for vacant commercial land sales from \$0.12 to \$0.39 per square foot. The average is \$0.22 with the median being \$0.20 per square foot. I suggest a range of \$0.20 to \$0.25 per square foot is a reasonable rate for all the subject parcels.

Calhoun County Land Bank Authority Parcels		
Parcel Number	Address	Land Size Sq. Ft.
7400-00-010-0	W Michigan Avenue	7,405
7400-00-011-0	W Michigan Avenue	6,665
7400-00-025-0	W Van Buren Street	6,970
7400-00-027-0	W Van Buren Street	5,576
7400-00-032-0	W Van Buren Street	6,490
Total Land Area		33,106
City of Battle Creek Parcels		
Parcel Number	Address	Land Size Sq. Ft.
7400-00-009-0	W Michigan Avenue	5,358
7400-00-026-0	W Van Buren Street	6,839
7400-00-028-0	W Van Buren Street	22,433
7400-00-031-0	W Van Buren Street	4,574
7400-00-033-0	Hubbard Street	4,704
Total Land Area		43,908

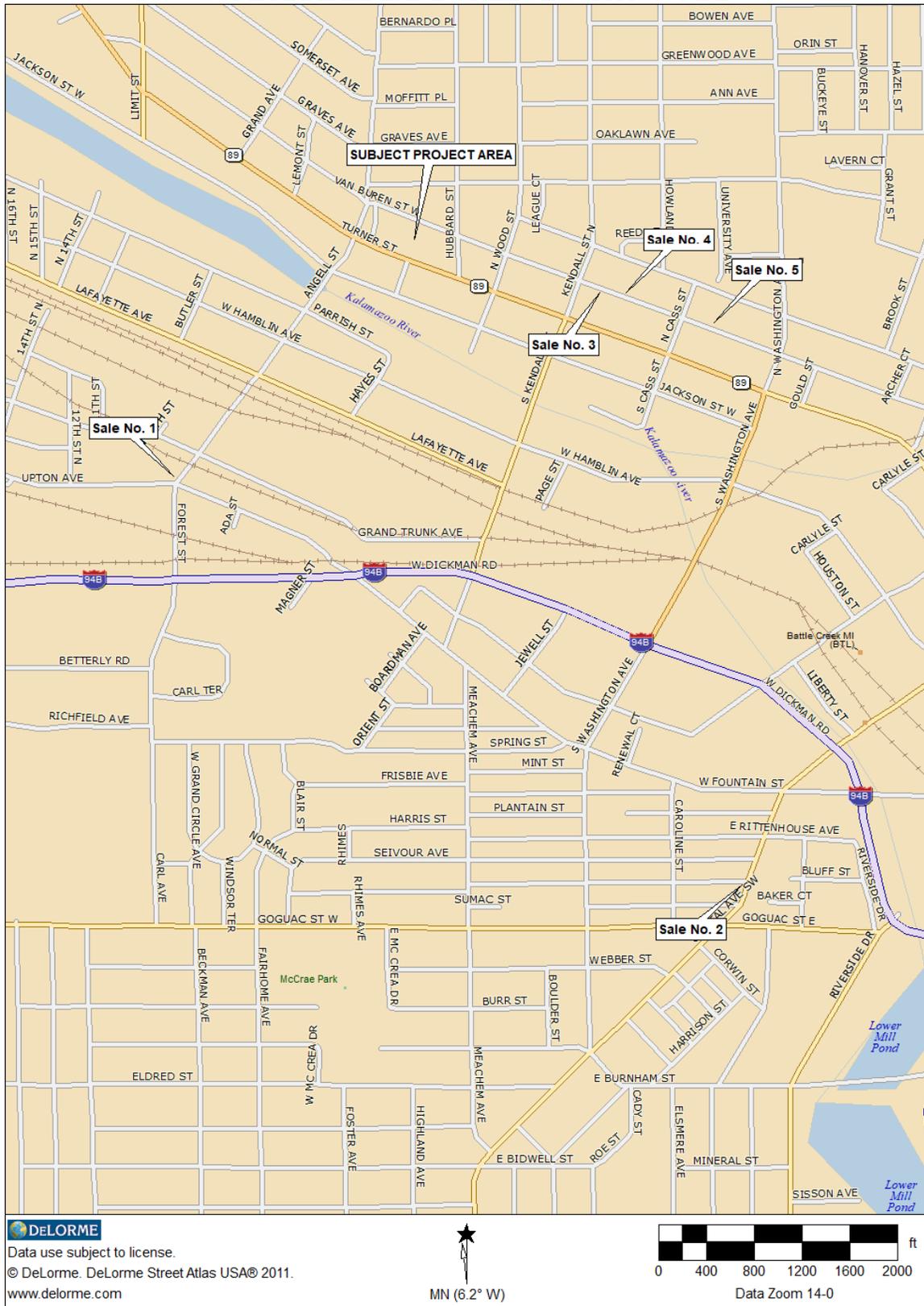
ADDENDUM

PROJECT AREA



Parcels owned by Calhoun County Land Bank Authority are outlined in red
Parcels owned by City of Battle Creek are outlined in white

COMPARABLE LAND SALES LOCATION MAP



Land Sale No. 1



Property Identification

Record ID 1965
Property Type Industrial, Industrial
Address Angell Street, Battle Creek, Calhoun County, Michigan 49017
Location NW Corner Angel and Upton
Tax ID 0052-00-020-0

Sale Data

Grantor Jimmie Adkins
Grantee Reconserve of Michigan LLC
Sale Date January 23, 2015
Deed Book/Page 3944/0599
Property Rights Fee Simple
Conditions of Sale Arm's Length
Financing Cash
Verification Other sources: Assessor, Confirmed by George Bratcher

Sale Price \$12,000

Land Data

Zoning I-2, Industrial
Topography Level
Utilities All public available
Shape Irregular

Land Size Information

Gross Land Size 1.222 Acres or 53,230 SF
Front Footage 158.8 ft Angel; 157 ft Upton (91.28 & 66)

Indicators

Sale Price/Gross Acre \$9,820
Sale Price/Gross SF \$0.23

Land Sale No. 2



Property Identification

Record ID 2074
Property Type Commercial
Address 292 Capital SW, Battle Creek, Calhoun County, Michigan 49037
Location SW corner Capital / Battle Creek
Tax ID 5270-00-299-0

Sale Data

Grantor Calhoun County Land Bank Authority
Grantee Jetco Enterprises
Sale Date December 18, 2015
Deed Book/Page 4017/0228
Property Rights Fee Simple
Marketing Time 10 DOM
Conditions of Sale Arm's length
Financing Cash
User 4 Quit Claim Deed
Verification Other sources: MLS 15063662; BSA, Confirmed by George Bratcher

Sale Price \$1,000

Land Data

Zoning C-3, Commercial
Topography Level
Utilities All public available
Dimensions 75.24 x 136.57 +/-
Shape Rectangular

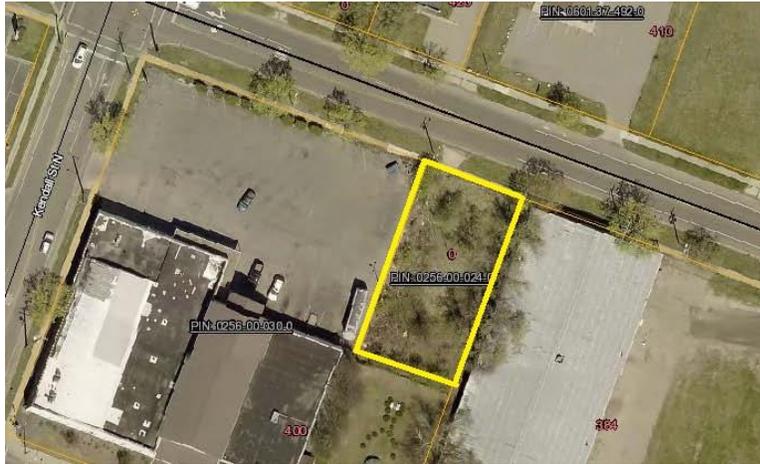
Land Size Information

Gross Land Size 0.193 Acres or 8,407 SF
Front Footage 75 ft Capital; 136 ft Battle Creek

Indicators

Sale Price/Gross Acre \$5,181
Sale Price/Gross SF \$0.12

Land Sale No. 3



Property Identification

Record ID 1964
Property Type Commercial, Commercial
Address Van Buren, Battle Creek, Calhoun County, Michigan 49017
Location South side east of Kendall
Tax ID 0256-00-024-0

Sale Data

Grantor Charles & Joan Knoz
Grantee New Level Sports
Sale Date January 25, 2016
Deed Book/Page 4039/0261
Property Rights Fee Simple
Conditions of Sale Arm's Length
User 4 Quit Claim Deed
Verification Other sources: Assessor, Confirmed by George Bratcher

Sale Price \$1,500

Land Data

Zoning C3, Commercial
Topography Level
Utilities All public available
Dimensions 66 x 132
Shape Rectangular

Land Size Information

Gross Land Size 0.200 Acres or 8,712 SF
Front Footage 66 ft Van Buren

Indicators

Sale Price/Gross Acre \$7,500
Sale Price/Gross SF \$0.17

Land Sale No. 4



Property Identification

Record ID 2075
Property Type Commercial
Address Van Buren, Battle Creek, Calhoun County, Michigan 49037
Location N side E of Kendall; S side of Champion
Tax ID 0601-39-542-0

Sale Data

Grantor AGW Conservatory of the Arts LLC
Grantee New Level Sports Ministries
Sale Date January 11, 2018
Deed Book/Page 4202/0191
Property Rights Fee Simple
Conditions of Sale Arm's length
Financing Conventional
Verification Other sources: Assessor, Confirmed by George Bratcher

Sale Price \$24,000

Land Data

Zoning C-3; R-3B
Topography Level
Utilities All public available
Dimensions 132 x 132; 132 x 330
Shape L-Shape

Land Size Information

Gross Land Size 1.400 Acres or 60,984 SF
Front Footage 132 ft VanBuren;330 ft Champion

Indicators

Sale Price/Gross Acre \$17,143
Sale Price/Gross SF \$0.39

Land Sale No. 5



Property Identification

Record ID 2076
Property Type Commercial
Address Van Buren, Battle Creek, Calhoun County, Michigan 49037
Location N side E of Cass
Tax ID 0255-00-004-0

Sale Data

Grantor Wenzler, Michael William Estate
Grantee Dr Drain Cleaning LLC
Sale Date June 28, 2018
Deed Book/Page 4244/0735
Property Rights Fee Simple
Conditions of Sale Arm's length
Financing Conventional
Verification Other sources: Assessor, Confirmed by George Bratcher

Sale Price \$5,500

Land Data

Zoning C-3, Commercial
Topography Level
Utilities All public available
Dimensions 201.75 x 132
Shape Rectangular

Land Size Information

Gross Land Size 0.616 Acres or 26,833 SF
Front Footage 201 ft VanBuren

Indicators

Sale Price/Gross Acre \$8,929
Sale Price/Gross SF \$0.20

George E. Bratcher, Jr., MAI, ASA

**424 Riverside Drive, Suite 100
Battle Creek, Michigan 49015**

**(Office) (269) 965-1444
(Fax) (269) 965-1505**

SUMMARY

George E. Bratcher, Jr. is President of Bratcher & Associates. He has over 40 years of experience in the real estate area as an Assessor, Treasurer, Building Inspector, Zoning Administrator, Broker and Real Estate Appraiser. Mr. Bratcher's extensive experience in the public sector and the real estate industry combine to provide the necessary knowledge to advise clients on all types of real estate issues. Mr. Bratcher has had the opportunity to appraise many different types of real estate, from residential to heavy industrial properties. George has provided appraisal and consulting services for financial institutions, attorneys, and government entities, as well as individual property owners.

Mr. Bratcher holds the MAI designation from the Appraisal Institute, and the ASA designation from the American Society of Appraisers; he is also a Certified Assessment Evaluator (CAE) with the International Association of Assessing Officers. George is a former Level IV Assessor. He has an undergraduate degree in Public Administration from Siena Heights College and a Masters in Public Administration from Western Michigan University. Mr. Bratcher has also completed an industry approved seminar involving the appraising of conservation easements through the Appraisal Institute.

George holds the following Michigan licenses: Certified General Appraiser, Licensed Real Estate Broker, and Licensed Builder. He also holds a Certified General Appraiser license in the state of Indiana. He has completed all the necessary requirements, as well as continuing education requirements for his licensing and professional designations.

EXPERIENCE

President; Bratcher & Associates, Battle Creek, Michigan; 1988-present; Independent real estate appraisal & consulting firm

Assessor; City of Battle Creek, Michigan; 1984-1988

Assessor/Treasurer/Building Commissioner/Zoning Administrator; City of Coldwater, Michigan; 1977-1982

Assessor; City of Albion, Michigan; 1975-1977

Senior Residential Appraiser; Ingham County Equalization Dept., Ingham County, Michigan; 1972-1975

EDUCATION

Western Michigan University - Master Degree, Public Administration (1984)

Siena Heights College - Bachelor Degree, Public Administration (1983)

Lansing Community College - Certificate, Property Valuation and Assessment Administration (1975)

APPRAISAL COURSES SUCCESSFULLY COMPLETED

SREA

Course #101

AIREA

Real Estate Appraisal Principles
Basic Valuation Procedures
Capitalization Theory & Techniques Part A
Capitalization Theory & Techniques Part B
Case Studies in Real Estate Valuation
Standards of Professional Practices
Narrative Report Writing

APPRAISAL COURSES CONTINUED

Appraisal Institute

Advanced Income Capitalization (510)
Understanding Limited Appraisals and Reporting Options
Appraising from Blue Prints
REIT's and the Role of the Real Estate Professional
Case Studies in Commercial Highest and Best Use
Partial Interest Valuation – Undivided
Valuation of Detrimental Conditions
USPAP – Parts A and B (410) (420)
Highest & Best Use & Market Analysis (520)
Separating Real & Personal Property from Intangible Business Assets (SE800)
Rates & Ratios: Making Sense of GIMs, OARs and DCF
Real Estate Finance Statistics and Valuation Modeling
Expanding Your Range of Services
General Applications I320
II550 Advanced Applications
Business Practices and Ethics
FHA and The Appraisal Process

IAAO

Course #1, Fundamentals of Real Property Appraisal
Course #2, Income Approach to Valuation
Course #202, Income Approach to Valuation II
Course #207, Industrial Property Appraisal
Course #301, Mass Appraisal of Residential Property
Course #305, Computer Aided Mass Appraisal Model Building
Course #4, Assessment Administration
Seminar, The Effects of Non-Standard Financing on the Market Value of Real Estate
Workshop 171; IAAO Standards of Professional Practice and Ethics

National USPAP Update – Current

Michigan Law – Current

Appraisal of Industrial Complexes Over 1,000,000 Sq. Ft.
Appraisal of Shopping Centers
Mortgage Equity for Appraisers
Environmental Screening Guidelines for Appraisers - American Real Estate & Appraisal Institute

ENVIRONMENTAL COURSES SUCCESSFULLY COMPLETED

NAERA - Course 101 and 102

Environmental Property Evaluation - COR Group, Inc.

PROFESSIONAL AFFILIATIONS AND CERTIFICATIONS

Member of the Appraisal Institute - 1998 (MAI Certificate No. 11365)

Certified General Appraiser - 1991 Michigan Department of Licensing and Regulatory Affairs (License No. 1201000203)

Certified General Appraiser – 2000 Indiana Professional Licensing Agency
(License No. CG40000281)

Certified Environmental Risk Screener - National Association of Environmental Risk
Auditors (C.E.R.S.) - 2001

Senior Member - American Society of Appraisers (ASA) - 1986

Certified Assessment Evaluator - International Association of Assessing Officers (CAE) - 1987

Real Estate Broker - Michigan Department of Occupational Regulation

Licensed Residential Builder - Michigan Dept of Occupational Regulation

Licensed private pilot - FAA

PARTIAL LIST OF COMPLETED PROJECTS

Lead appraiser for land acquisition in:

- City of Newaygo - Wastewater Treatment Plant Expansion
- City of Alma - Industrial Park Expansion
- City of Battle Creek - Avigation Easement Appraisals Airport Expansion (Kal-Aero)

Supervised real estate acquisition phase of Emmett Street Overpass project for the City of Battle Creek. (1996)

Provided real estate appraisal for the City of Warren for the purchase and redevelopment of the former Detroit Arsenal Tank Plant. (1997)

Provided real estate appraisals for land acquisition in the Michigan Department of Transportation BL-94 extension project in Battle Creek. (1999)

Provided real estate appraisals for land acquisition in the Michigan Department of Transportation M-6 By Pass project in Grand Rapids. (2000)

Provided real estate appraisals as part of the team organized for land acquisition in the Michigan Department of Transportation Red Arrow Highway Project in Berrien County. (2000)

Provided real estate appraisals as part of the team organized for land acquisition in the Bureau of Aeronautics Southwest Michigan Regional Airport Runway Extension Project in Benton Harbor, Michigan (2003/2004/2005/2006/2007/2008/2009).

Provided real estate appraisal for FAA Land Release at the Pellston Regional Airport of Emmet County, Pellston, Michigan (2007).

Provided real estate appraisals for avigation easements for the South Haven Regional Airport Board, South Haven, Michigan (2007).

Provided real estate appraisals as part of the team organized for land acquisition in the road right-of-way project for the Firekeepers Casino Development, Battle Creek, Michigan (2008).

Provided real estate appraisals for avigation easements for the WK Kellogg Regional Airport, Battle Creek, Michigan (2009).

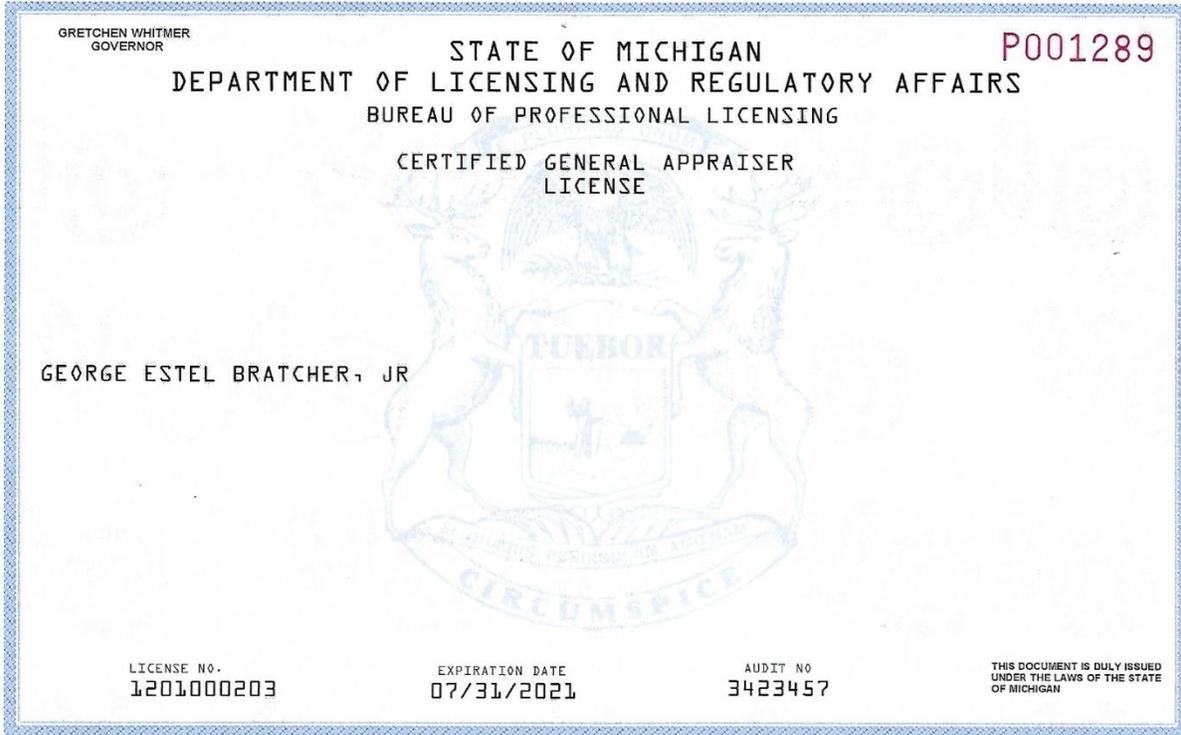
Provided real estate appraisal services for acquisition of properties located along the Kalamazoo River involved in the ruptured oil pipeline for Enbridge Energy (2010/2011).

Provided real estate appraisal services for Tecumseh Products regarding properties impacted by ground water contamination (2012)

LITIGATION EXPERIENCE

Along with providing quality appraisals, Mr. Bratcher has been deposed on numerous occasions, with the property dispute settled before proceeding to an actual court case. Mr. Bratcher has testified as an expert witness in Ingham County District Court, in Calhoun County Circuit and District Courts, and in Federal Tax Court. During his assessing career, Mr. Bratcher appeared before the Michigan Tax Tribunal numerous times, and since 1972, has appeared before the Tribunal approximately 8 – 10 times. Litigation experience also includes the following projects.

- Marshall, MI- Flooded basements and their impact on property value.
- Tooele, UT- Value of avigation easements.
- East Lansing, MI- Loss in value of homes found to have been built on an abandoned landfill.
- Tecumseh, MI- Loss in value for properties impacted by Tecumseh Products contamination of ground water.
- Augusta, MI- Impact of Enbridge oil spill on property values.
- Battle Creek, MI- Moon Drain, Estimating value of drain easements.



7/16/2018

Payment Result

Your order has been submitted and all fees have been applied to your credit card. If you ordered a card, please allow 5 - 10 business days to receive your order in the mail.

If you selected **Free Certificate Printout** click **Print Receipt** at the bottom of the page. This page serves as your certificate and can be used to satisfy any legal posting requirements.

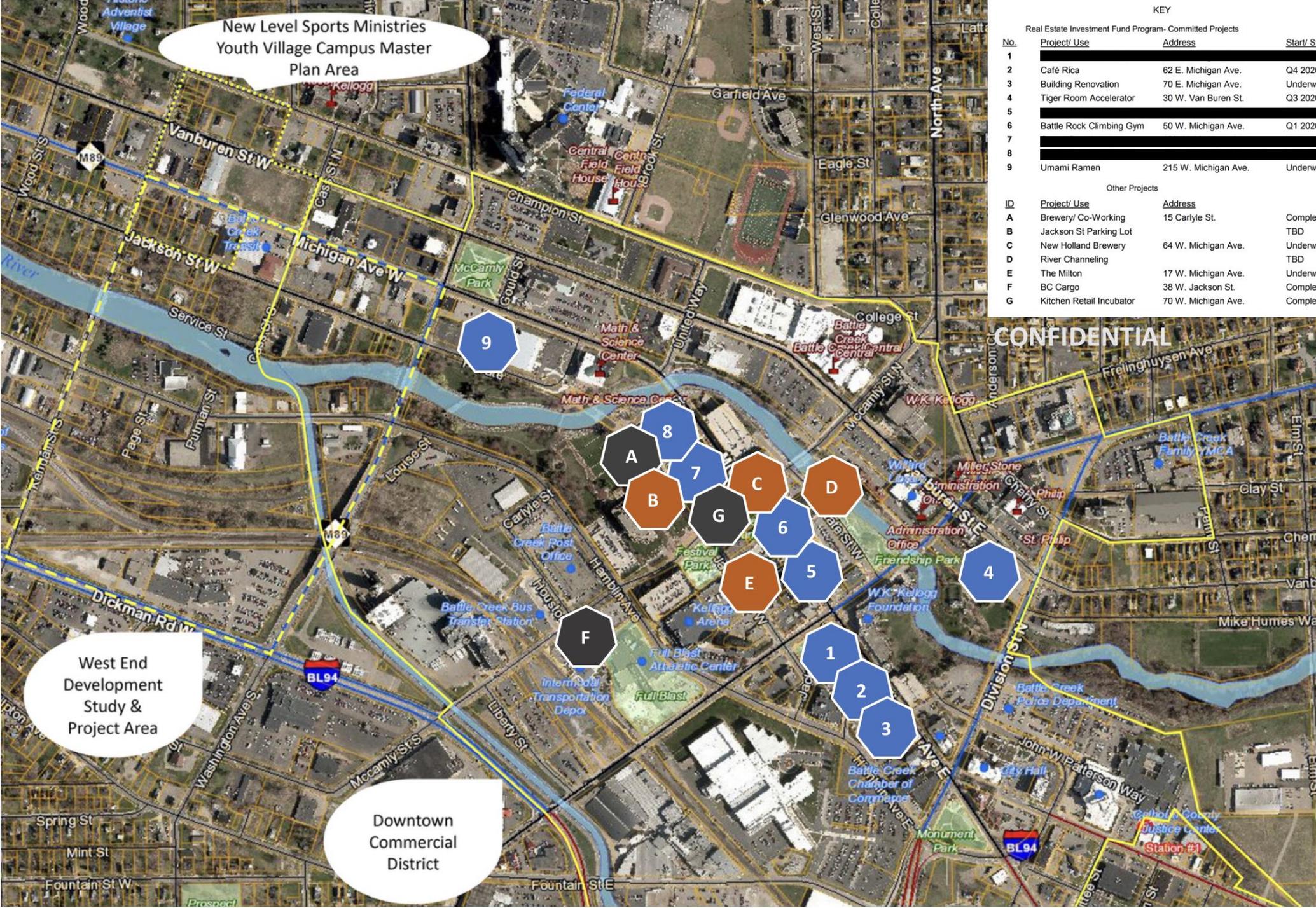
Official License Record



State of Indiana Official License Record

Full Name: George Bratcher, Jr
License Number: CG40000281
License Type: Certified General Appraiser
License Status: Active
Issue Date: 8/17/2000
Expiration Date: 6/30/2020

New Level Sports Ministries
Youth Village Campus Master
Plan Area



West End
Development
Study &
Project Area

Downtown
Commercial
District

CONFIDENTIAL

KEY

Real Estate Investment Fund Program- Committed Projects

No.	Project/ Use	Address	Start/ Stat
1			
2	Café Rica	62 E. Michigan Ave.	Q4 2020
3	Building Renovation	70 E. Michigan Ave.	Underway
4	Tiger Room Accelerator	30 W. Van Buren St.	Q3 2020
5			
6	Battle Rock Climbing Gym	50 W. Michigan Ave.	Q1 2020
7			
8			
9	Umami Ramen	215 W. Michigan Ave.	Underway

Other Projects

ID	Project/ Use	Address	
A	Brewery/ Co-Working	15 Carlyle St.	Complect
B	Jackson St Parking Lot		TBD
C	New Holland Brewery	64 W. Michigan Ave.	Underway
D	River Channeling		TBD
E	The Milton	17 W. Michigan Ave.	Underway
F	BC Cargo	38 W. Jackson St.	Complect
G	Kitchen Retail Incubator	70 W. Michigan Ave.	Complect



**NOTICE
OF
DOWNTOWN DEVELOPMENT AUTHORITY
MEETINGS FOR THE YEAR 2020**

**CITY HALL ROOM 302A
10 N. DIVISION STREET
BATTLE CREEK, MICHIGAN
3:30 P.M.**

Monday, January 27, 2020

Monday, April 27, 2020

Monday, July 27, 2020

Monday, October 26, 2020

Minutes of the Meeting may be obtained by contacting the City Clerk's Office.

The City of Battle Creek will provide reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered in the meeting, upon notice to the City of Battle Creek. Individuals with disabilities requiring auxiliary aids or services should contact the City of Battle Creek by writing or calling the following:

Victoria Houser
Office of the City Clerk
P. O. Box 1717
10 N. Division
Battle Creek, MI 49016
(269) 966-3348 (Voice/TDD)