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Did the DUAB mean what they said?

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Unused TIF money in Gary sparks debate

Jon Seidel, Post-Tribune Staff Writer

Gary governments are taking out bank loans, laying off employees and putting others on furlough.

Meanwhile, nearly \$1 million in local tax money has been in limbo as the state mulled a possible precedent in what's known as the "wild west" of Indiana local government finance -- tax increment financing districts.

They're known as TIFs, and the cash in question was created by a few of the many such districts in Gary. The Redevelopment Commission shut two down this year, and records show \$922,736 remained. Another \$7.8 million sat in Gary's 16 remaining TIF funds in June, and officials say more could close.

The fate of the leftover money has been under debate. The Redevelopment Commission wants to keep it because other sources of revenue are drying up. Other local governments say they deserve, and need, a piece of it.

"We're not in a position where we could turn away any money of any amount," Gary Library Board President Tony Walker said.

The Indiana Department of Local Government gave a mixed answer Friday. It said Redevelopment gets to keep the cash, but it said normal rules for spending TIF money applies.

'Creative strategy'

TIF money comes from tax bills paid by property owners within a TIF district. When property values inside that area increase, new tax dollars are created, 'captured' and deposited in a TIF fund. Normally, that money would go to taxing units like City Hall, the schools and the libraries.

The TIF dollars are meant to be used for redevelopment projects inside the district they came from, and Indiana law mostly prohibits its use for salaries.

Maps of Gary's TIF districts can be found at <http://www.post-trib.com/news/2637672,garylits-829.article>.

The TIFs targeted for dissolution this year were the Small Farms and Washington Manor districts.

Small Farms is bordered generally by West 21st Avenue to the north, West 25th Avenue to the south, Clark Road to the west and Grant Street to the east. As of June, records show \$905,889 sat in the Small

Farms account.

Washington Manor is found between West 19th Avenue to the north, West 21st Avenue to the south, Madison Street to the west and Washington Street to the east. That fund had \$16,847 in June.

Dan Botich of Cender & Co., Gary's TIF adviser, said economic plans for Small Farms were outdated, and he said work at Washington Manor is finished.

However, Botich also said dissolving the TIF districts was a "creative strategy" for funding Redevelopment in the coming years. Its property tax levy could go away under a mandate from the Indiana Distressed Unit Appeals Board.

The DUAB, which gave Gary taxing units millions in budget relief in 2009 and 2010, told Gary not to come back in 2011 if the Redevelopment Commission levy doesn't go away.

Redevelopment is proposing a 2011 total operating budget of \$520,654 and would raise \$295,885 from the tax levy, according to legislation before the City Council. It would spend \$269,721 paying seven employees.

City officials say they don't think they need to get rid of the levy, but a DUAB staff member said Gary should have a "compelling reason" if the levy is still in place next year.

When Redevelopment dissolved the two TIFs, it passed a resolution transferring the leftover TIF money into its general fund. Once there, Botich expected it could be used for redevelopment efforts, including redevelopment employees' salaries.

Botich said he helped Hammond do the same thing last year, and the state didn't take issue with it. He also said Gary passed its resolution after checking with the State Board of Accounts.

Redevelopment keeps it

But the state wound up putting the money transfer on hold until this week. They said it's rare for cities to shut down TIF districts. Sunset laws mean some will need to dissolve in 2025, though, so Gary's actions could serve as a guide.

The Indiana Department of Local Government Finance finished its research Friday, telling Gary the dollars must be used for "eligible TIF purposes."

That means paying for public infrastructure, financing revenue bonds or generally funding other redevelopment projects.

DLGF Chief of Staff Mary Jane Michalak said her office also suggested Gary keep the money in the TIF fund where it sits now, which would make the dollars easier to track. However, she said Redevelopment is allowed to move those dollars into its general fund if it chooses.

If that happens, she said the State Board of Accounts would be responsible for watching how the money is used.

"It would require a careful audit of the books to determine whether that money was being spent according

to its original purposes," Michalak said.

Gary's other taxing units won't end up with the money under the decision. Because it's not needed for the original TIF districts, though, Walker said Redevelopment should consider helping the agencies by funding new schools or libraries.

"I think we should be eligible to somehow apply or benefit to have our development projects be considered," Walker said.

Related Links:

- [Maps of Gary, Chesterton and Portage TIFs \(PDF\)](#)

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