



# ***Debunking the Myths, A Factual Analysis of TIF Impact***

Presented by:

Reedy Financial Group, P.C.

Barnes & Thornburg, LLP

City of Fishers

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# Presenters

**Eric F. Reedy, CPA** is the owner of Reedy Financial Group, P.C. He has over 25 years of experience with extensive knowledge of tax increment financing, utility financial management, utility cost of service rate studies, municipal finance, accounting, including long-term operating and capital improvement plans, preparation of municipal budgets, annexation, and accounting/bookkeeping services. His clients include cities, towns, counties, schools, utilities and special taxing districts.



**Brian L. Burdick** is managing partner of Barnes & Thornburg LLP's Indianapolis office, where he concentrates his practice in the areas of government services and public finance. Mr. Burdick's government services practice focuses primarily on representing both public and private clients before state and local regulatory bodies and administrative agencies, counseling them on public contracting and bidding, state and local government ethics laws, and financing transactions.



# Presenters

**Bruce D. Donaldson**, a partner in Barnes & Thornburg LLP's Indianapolis office, concentrates his practice in the area of municipal finance. Mr. Donaldson serves as bond counsel for counties, cities, towns, and schools to finance public buildings, infrastructure, and other local public improvements through the issuance of tax-exempt bonds.



**Mayor Scott Fadness** became Mayor of the City of Fishers, Indiana on December 22, 2014. As the City of Fishers' first Mayor, he manages the day-to-day operations of the City and leads a team of 12 department directors. Prior to his election, Scott Fadness served as Fishers' Town Manager from 2011-2014 and Deputy Town Manager of Operations from 2009-2011 overseeing the day-to-day operations of public works, engineering, fleet management and parks and recreation.



# Definitions

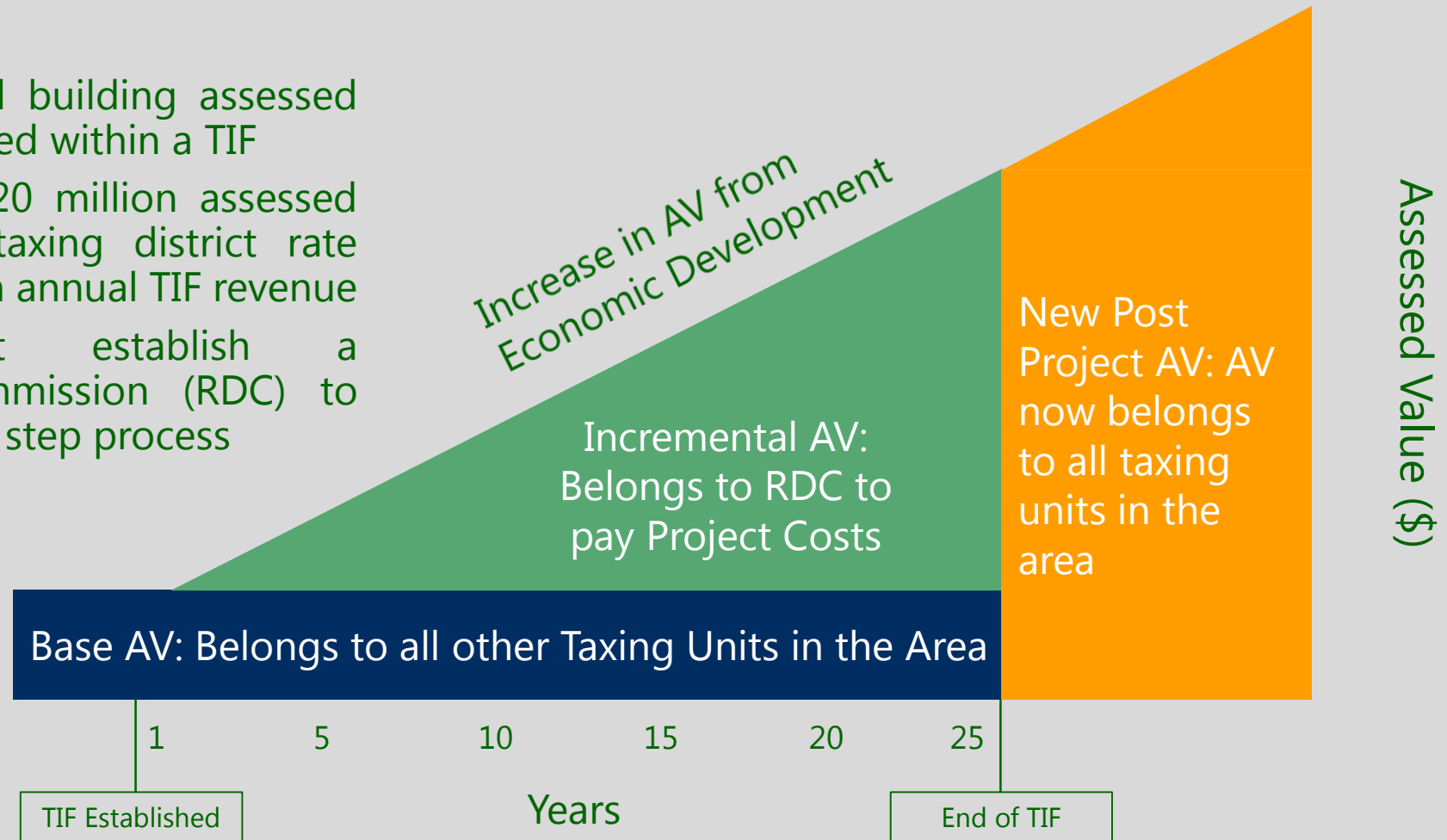
- **TIF – Tax increment financing**
  - Growth in assessed valuation in an economic development area times the taxing district rate will produce revenue for projects benefiting the area
- **NAV – Net assessed valuation. Gross assessed valuation minus deductions**
- **Deductions**
  - Examples: Standard Homestead, Supplemental Homestead, Mortgage, Abatements, TIF
- **CB – Circuit Breaker**
  - Law passed in 2008, subsequently added to the Indiana Constitution, that reduces property tax payments for taxpayers and property tax revenues for units of local government
    - 1% - Homestead
    - 2% - Non-Homestead Residential, Agricultural, Long Term Care Facilities
    - 3% - All other property including: personal, commercial, industrial
    - Over 65 – Limits the increase in the property tax bill to 2% over the prior year for taxpayers over the age of 65



# Telling the TIF Story

## TIF Overview

- Example: Commercial building assessed at \$20 million is located within a TIF
- Revenue to TIF is \$20 million assessed valuation / 100 \* taxing district rate (\$2.50) = \$1 million in annual TIF revenue
- Municipality must establish a Redevelopment Commission (RDC) to utilize the TIF tool - 4 step process



# Telling the TIF Story

## Understanding TIF

- Myth: One of the biggest misconceptions in regards to TIF is that it directly harms schools and other overlapping units
  - We have prepared a parcel by parcel impact of TIF for 3 separate counties with varying circuit breaker environments that will show the projected impact (Wayne Co., Boone Co., Jasper Co.)
- Myth: There is a belief that there is a \$1 for \$1 impact to the overlapping units
- Fact: Impact to overlapping units
  - School general fund is not funded by property taxes since the CB law of 2008
  - Most overlapping units' property tax revenues are set by the maximum levy
  - AV allocated to the TIF would reduce the NAV thereby increasing rates
  - Formula:  $(\text{Property tax levy}/\text{NAV}) * 100 = \text{tax rate}$
  - Due to the formula there is no loss in property tax revenue
  - Beginning in 2019, the school CPF fund will become a maximum levy fund
  - The impact to overlapping units is a result of an increase to the circuit breaker

# Telling the TIF Story

## Understanding TIF

- But-For test
  - Of course, if the new assessed value would not have been added but for the use of the TIF incentive, then there is ZERO impact on the schools and other taxing units, because they never would have received the benefit of that new assessed value without the creation of the TIF area. For purposes of the impact analysis we have prepared, we have assumed that this “but-for” test has NOT been met, simply to show the impact on taxing units in a worst case scenario where the new assessed value would have been added even without the use of the TIF incentive.

# Tools of the TIF

Financing options available through TIF to incentivize investment

- Uses of TIF: roads, utilities, parks, public safety, education
- Pay as you go on projects benefiting the area
- TIF Bonds – TIF revenue pledge to make the bond payments
- Company/Developer Purchased TIF Bonds
  - Up to 100% Abatement
- Multi-family housing Developments
- Other revenue impacts from more employment – housing, income tax, vehicle excise tax, population based





# TIF Impacts on Communities

To show the positive impacts TIF has on a community, we have looked across the state and analyzed several types of companies

- ConAgra – Frankfort, IN
- Cummins – Seymour, IN
- Honda – Greensburg, IN
- Anson – Whitestown, IN
- Nestlé – Anderson, IN
- Sugar Creek – Wayne Co., IN
- Urschel Laboratories – Chesterton, IN



# ConAgra Brands

Since coming to Frankfort in 2015 with its initial \$78 million investment, ConAgra has been a major contributor to the City's economic development

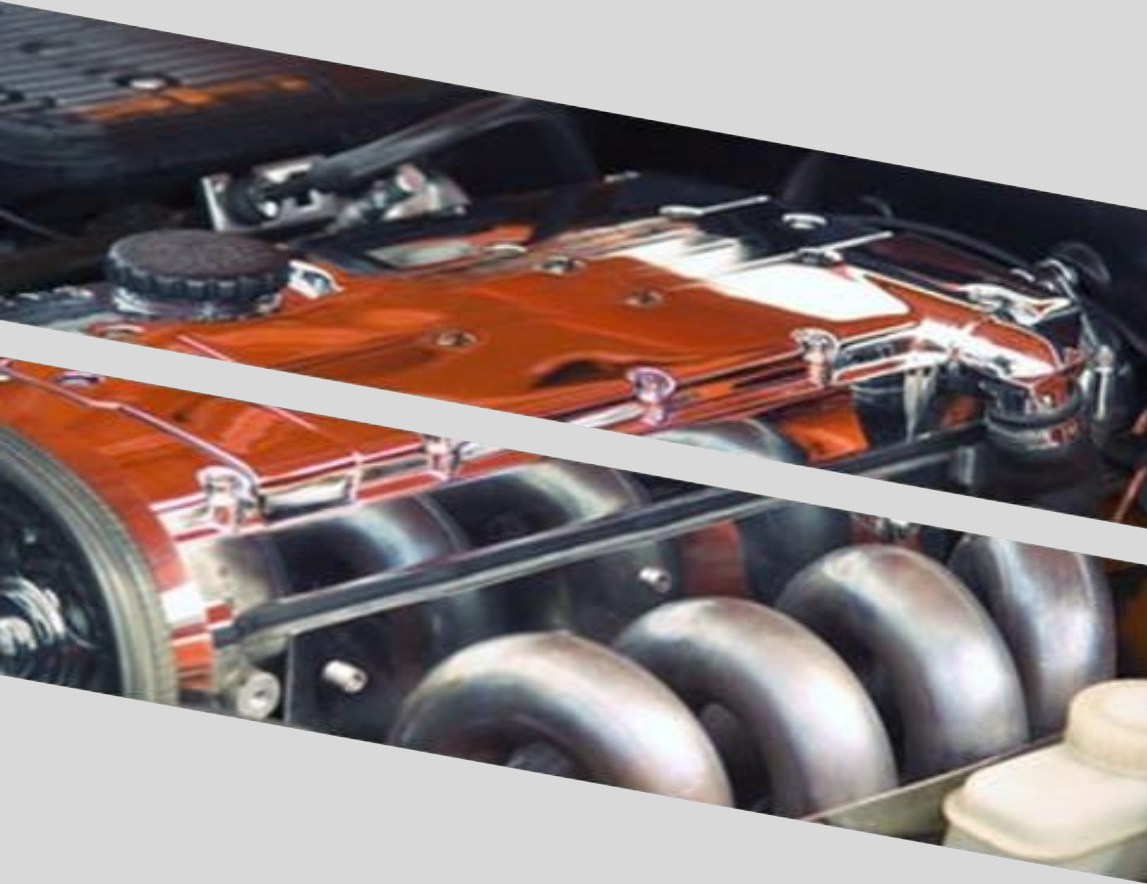
- **IEDC offered \$750,000 in conditional tax credits**
- **Taxable Economic Development Revenue Bonds**
  - Company/Developer Purchased TIF Bond
  - 20-year 100% abatement
- **Frankfort City base AV growth (2yrs prior and after)**
  - -2.98% before ConAgra
  - 29.24% after ConAgra
  - 32.22% increase
- **76 new jobs created**



# Cummins Inc.

In 2011 Cummins invested \$219 million to expand its operations in Seymour which led to a variety of positive impacts to the City and its citizens

- **IEDC offered \$2.4 million in performance based incentives and \$100,000 in training grants**
- **New \$5 million Department of Works Building**
- **Increased road & utility developments**
- **Funded new Jackson Co. Learning Center**
- **Planned major road expansion and bridge connecting the City's industrial parks**
- **Seymour City base AV growth (3yrs prior and after)**
  - -6.07% growth before Cummins Expansion
  - -0.19% growth after Cummins Expansion
  - 5.88% increase
- **Jackson County's Net Taxable Income Growth (3yrs prior and after)**
  - -0.56% trend before expansion
  - 5.56% trend after expansion



# Honda Motor Company

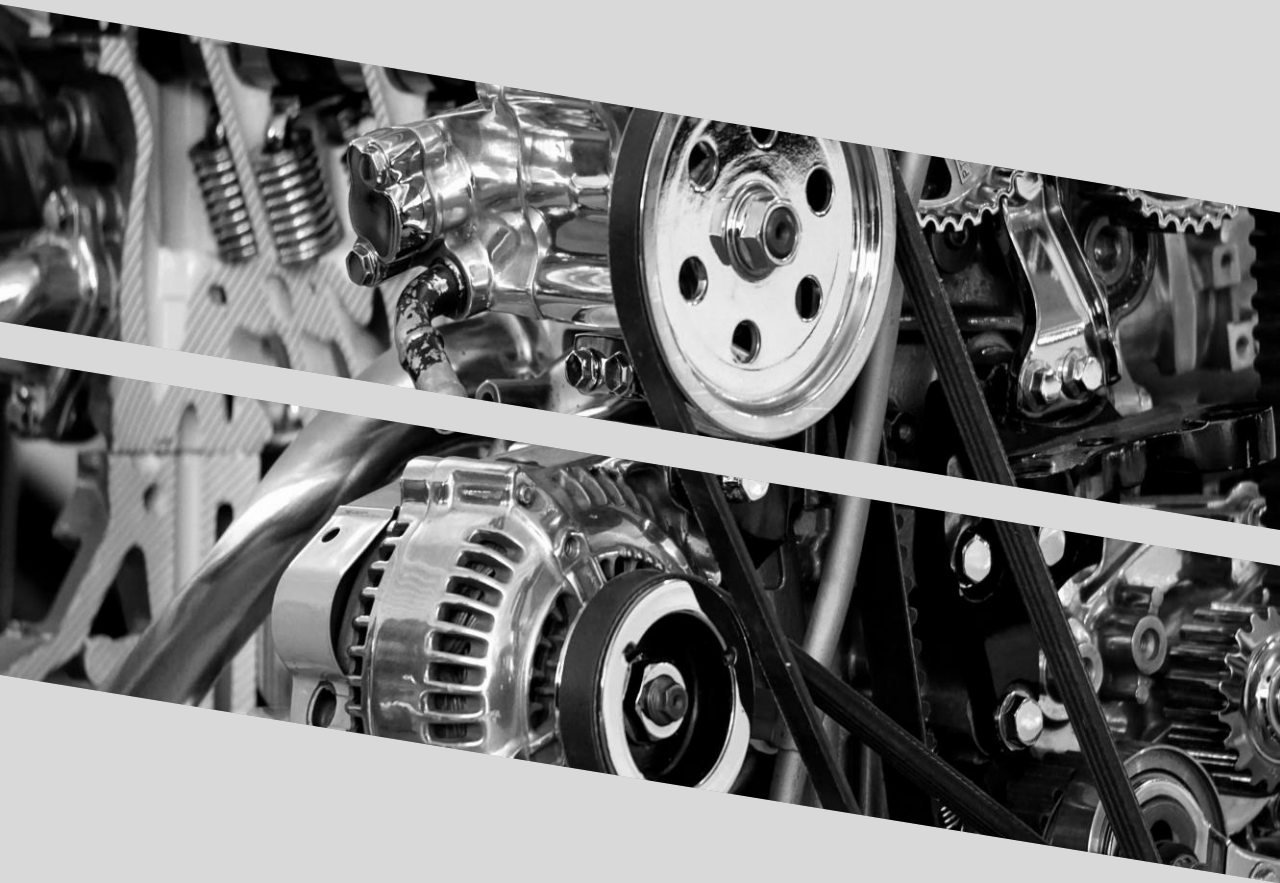
Since Honda moved to Greensburg in 2006, the company has invested over \$550 million and the County has seen major financial growth

## ▪ TIF Tools Used

- Redevelopment District Tax Increment Revenue Capital Appreciation Bond, Series 2008A
- EDGE tax credits, training assistance, and real and personal property tax abatements of \$41.5 million
- Infrastructure support for water, wastewater, and road improvements of \$44 million

## ▪ Decatur County's Net Taxable Income Growth (3yrs prior and after)

- 2000 new jobs created
- -0.88% trend before Honda
- 4.89% trend after Honda
- 5.77% increase





# Anson, a Duke Realty Planned Unit Development (PUD)



- **Anson is located in Whitestown, some of the major businesses include:**
  - Amazon
  - Express Scripts (Medco)
  - Several retail businesses including Lowes and Meijer
  - Several multi-family developments
  - Residential housing
- **Whitestown has been the fastest growing community in the State of Indiana for the past several years**
- **Several TIF bonds have been issued for infrastructure within the area**
- **The Town and the State have an agreement for the construction of a new interchange on I-65 where TIF has been pledged for the Town's share**

# Nestlé

In 2006 Nestlé announced a new \$600 million manufacturing facility in Anderson which has been a major contributor to Anderson's growth

## ▪ TIF Tools Used

- Redevelopment TIF Revenue Bonds, Series 2009
- City of Anderson Taxable Economic Development Redevelopment Bonds, Series 2006A
- IEDC offered \$250,000 in training grants, \$550,000 in infrastructure assistance, and about \$7 million in tax credits
- City Council approved a 6-year, 65% abatement estimated at \$79.5 million

## ▪ Madison County's Net Taxable Income Growth (1yr prior and after)

- 300 new jobs created
- 3.86% trend before Nestlé
- 4.51% trend after Nestlé
- 0.65% increase



# SugarCreek

Since coming to Wayne Co. in 2012 with an initial investment of \$100 million, SugarCreek has had a positive impact on the County's financial strength



## ▪ TIF Tools Used

- \$8.12 million Taxable Economic Development Revenue Bond, Series 2014
- IEDC offered \$2.85 million in conditional tax credits and \$175,000 in training grants
- Wayne County issued \$265,000 in Economic Development Income Tax funds
- 10-year abatement on more than \$5 million of equipment

## ▪ Wayne County's Assessed Value Growth (4yrs prior and after)

- -3.51% growth before SugarCreek
- 1.46% growth after SugarCreek
- 4.97% increase

## ▪ Wayne County's Net Taxable Income Growth (4yrs prior and after)

- 400 new jobs created
- 0.20% growth before SugarCreek
- 2.34% growth after SugarCreek
- 2.14% increase





# Urschel Laboratories Inc.

Since moving its corporate headquarters to Chesterton in 2013 with an initial investment of \$80 million, Urschel Laboratories has been a major factor in Chesterton's growth

## ▪ TIF Tools Used

- \$25.86 million Economic Development Bonds, Series 2013

## ▪ Town of Chesterton's Assessed Value Growth (4yrs prior and after)

- -1.67% growth before Urschel Laboratories
- 2.16% growth after Urschel Laboratories
- 3.82% increase

## ▪ Porter County's Net Taxable Income Growth (3yrs prior and after)

- 2.86% trend before Urschel Laboratories
- 2.92% trend after Urschel Laboratories
- 0.06% increase



# Life without TIF

## Without TIF

- **GO Bonds**
  - Directly increases taxes to make bond payments
  - Units are affected by directly issuing debt
  - Grant matches – uses debt limitation
  - Likely subject to lengthy and potentially deal-killing petition-remonstrance or referendum processes
- **Increased taxes result in increased CB**
- **No TIF, no TIF Bonds = no incentive vehicle**

## With TIF

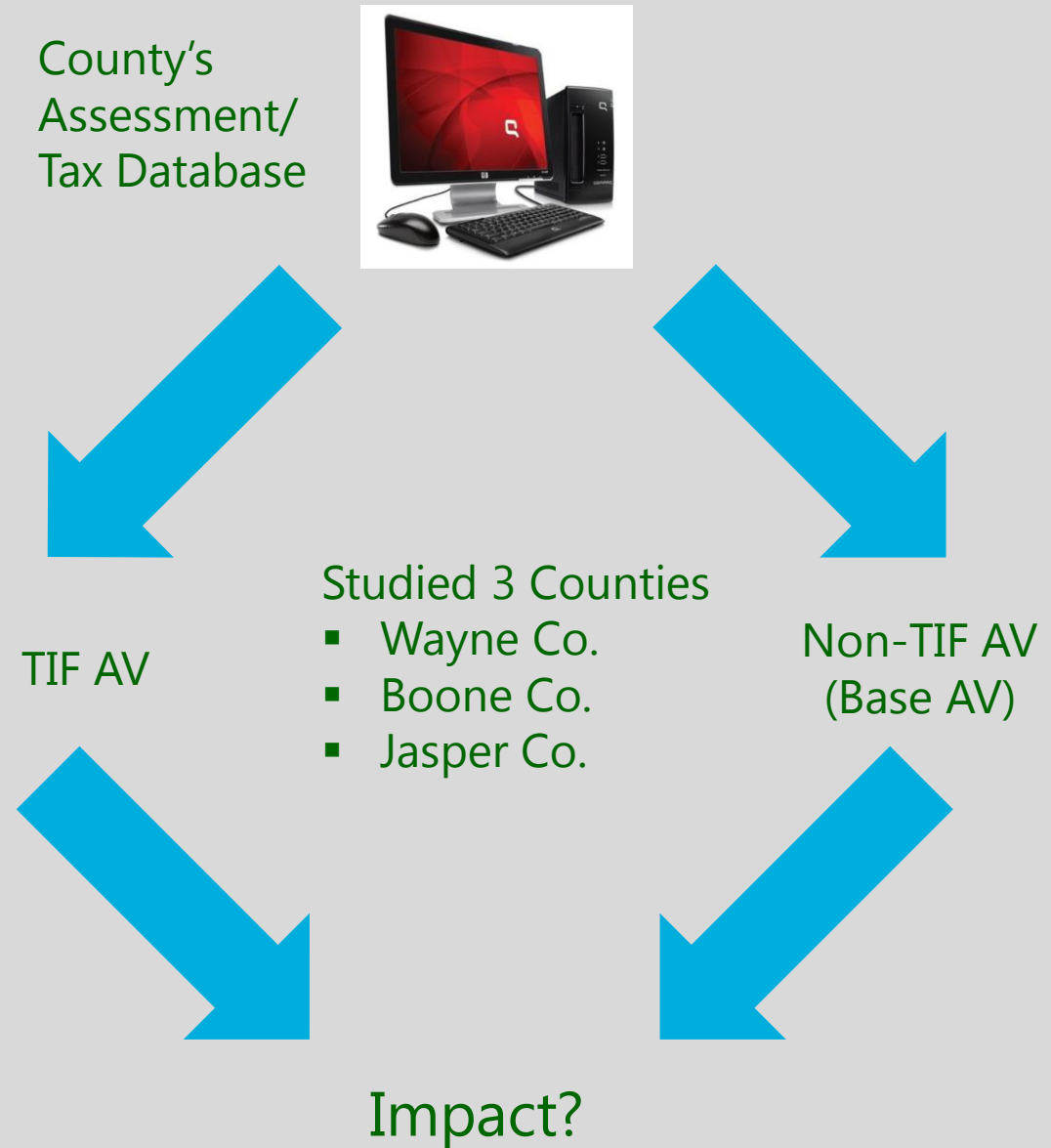
- **TIF Bonds**
  - Utilize TIF income to make RDC bond payments without directly increasing tax rates
  - Doesn't affect overlapping unit's ability to issue debt
  - Grant matches
- **Increase in CB is discussed later in the presentation**

# TIF Case Studies

- **In order to fully quantify the impact a TIF district has on overlapping units, our case studies required a careful examination of the following:**
  - Circuit Breaker Environment
  - Release of TIF AVs
  - Tax Rate Impacts
    - Max Levies
    - Rate Driven Funds
  - Tax Software
  - Abstract Billing Process

# Our Process

- To calculate the true TIF impact to overlapping units, we analyzed every parcel in the county to come up with the most accurate impact report possible



# Circuit Breaker Rank by County

1. Delaware 34.57%	16. Lake 13.59%	31. Hendricks 8.71%
2. Wayne 27.60%	17. Randolph 13.20%	32. Tipton 7.22%
3. Madison 26.67%	18. Perry 13.15%	33. Vermillion 6.94%
4. Fayette 23.14%	19. Rush 13.05%	34. Wabash 6.84%
5. Vigo 22.68%	20. Elkhart 12.87%	35. Hancock 6.64%
6. St. Joseph 21.19%	21. Blackford 12.42%	36. Scott 6.39%
7. Howard 18.10%	22. Marion 12.34%	37. Hamilton 6.17%
8. Huntington 17.65%	23. Clark 11.34%	38. Union 6.17%
9. Laporte 17.44%	24. Miami 11.22%	39. Washington 5.98%
10. Cass 16.55%	25. Clinton 10.27%	40. Montgomery 5.68%
11. Henry 16.03%	26. Allen 9.68%	41. Gibson 5.41%
12. Crawford 15.45%	27. Greene 9.61%	42. Jefferson 5.22%
13. Knox 14.67%	28. Lawrence 9.11%	43. Bartholomew 5.16%
14. Grant 14.33%	29. Daviess 9.08%	44. Marshall 5.05%
15. Vanderburgh 13.84%	30. Johnson 8.98%	45. Starke 4.90%

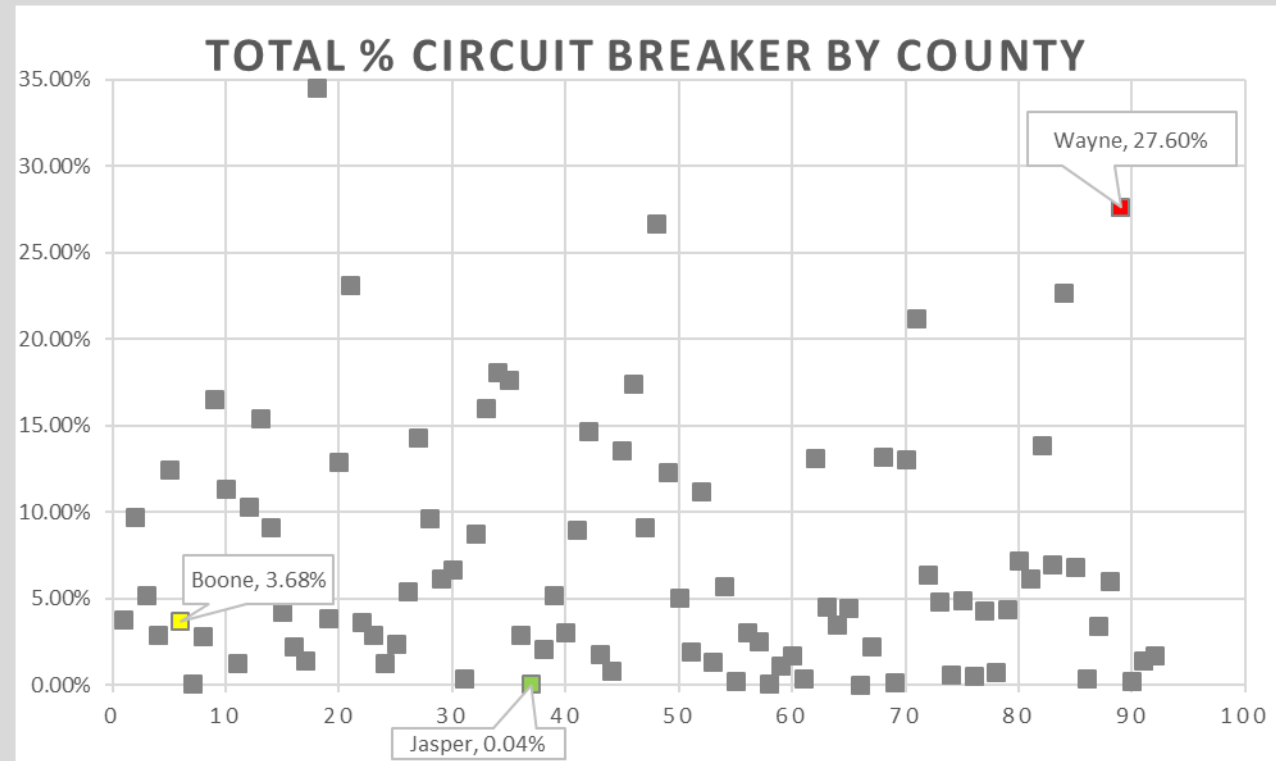


# Circuit Breaker Rank by County (cont.)

46.	Shelby 4.82%	62.	Jackson 2.87%	78.	Orange 1.08%
47.	Pike 4.50%	63.	Carroll 2.83%	79.	LaGrange 0.79%
48.	Posey 4.42%	64.	Noble 2.53%	80.	Switzerland 0.72%
49.	Tippecanoe 4.34%	65.	Fulton 2.35%	81.	Spencer 0.62%
50.	Sullivan 4.31%	66.	Putnam 2.22%	82.	Steuben 0.50%
51.	Dearborn 4.21%	67.	Decatur 2.21%	83.	Harrison 0.40%
52.	Dubois 3.89%	68.	Jay 2.06%	84.	Parke 0.35%
53.	Adams 3.78%	69.	Martin 1.96%	85.	Warren 0.34%
54.	Boone 3.68%	70.	Kosciusko 1.79%	86.	Morgan 0.24%
55.	Floyd 3.62%	71.	Whitley 1.73%	87.	Wells 0.21%
56.	Porter 3.48%	72.	Owen 1.67%	88.	Ripley 0.17%
57.	Warrick 3.44%	73.	Dekalb 1.43%	89.	Brown 0.06%
58.	Newton 3.03%	74.	White 1.40%	90.	Jasper 0.04%
59.	Jennings 3.02%	75.	Monroe 1.35%	91.	Ohio 0.04%
60.	Benton 2.90%	76.	Franklin 1.29%	92.	Pulaski 0.04%
61.	Fountain 2.87%	77.	Clay 1.27%		

# Circuit Breaker Correlation

- The level of TIF impact is directly correlated to the CB environment where the TIF is located
- The higher the CB the higher the impact to overlapping units



# “TIF Margin”

- TIF creates a margin of revenue that never would have existed without the creation of the TIF area
  - This margin debunks the myth that there is a \$1 for \$1 impact on all overlapping units
- We have prepared a parcel by parcel analysis and concluded that “TIF Margin” is computed by comparison of tax bills with existing TIF AV vs. all TIF AV released to the base
- We have analyzed 3 counties (case studies) in the following slides

# Very High Circuit Breaker Environment

Richmond City – Wayne Township  
EDA, Wayne Co.

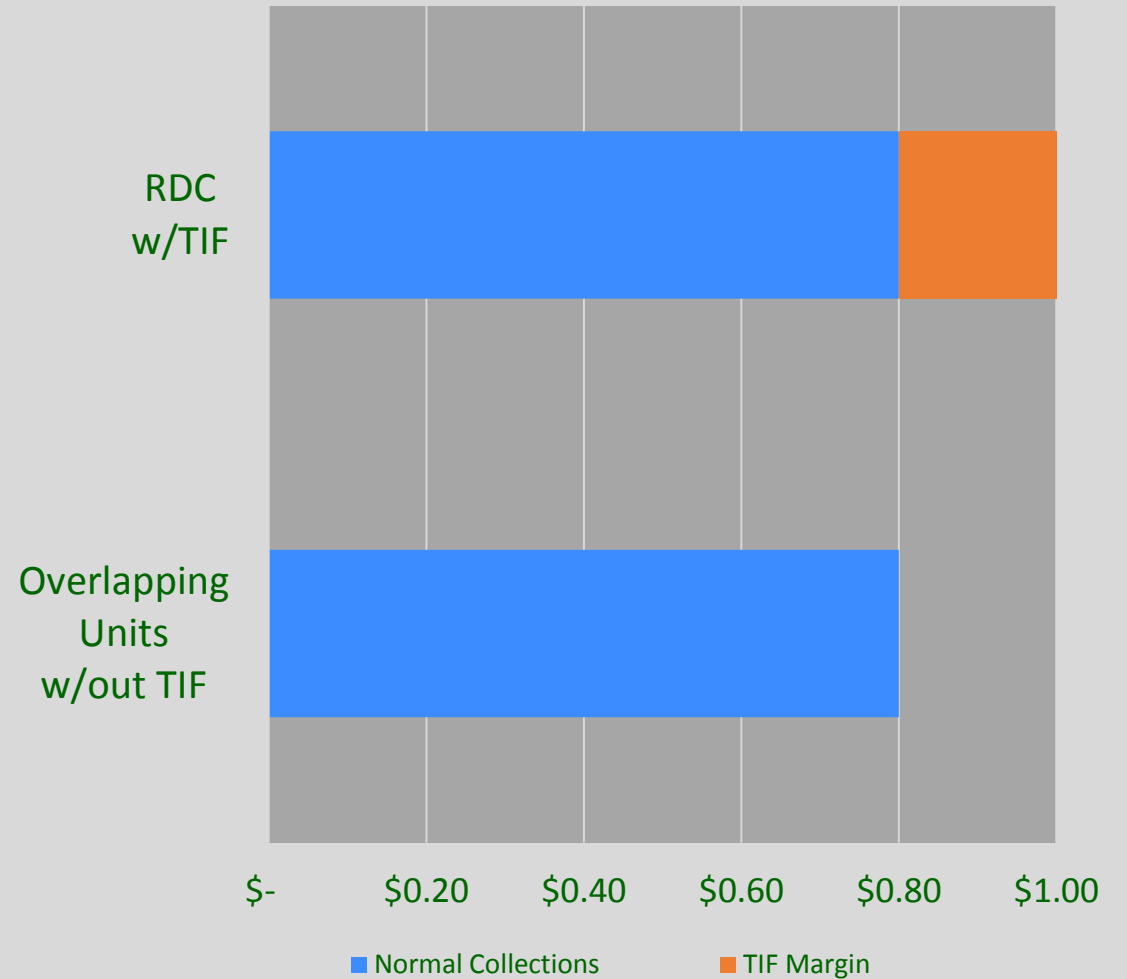
- Total TIF AV \$64.8 million
- Total TIF Revenue \$1,825,733
- Total Impact to Units \$1,443,211
- TIF allowed for educational programs \$273,860

Unit Name	Budget	\$ Impact	% Impact
County	\$36,952,638	\$377,531	1.0%
Township	\$2,090,187	\$17,363	0.8%
School	\$50,225,299	\$253,772	0.5%
City	\$33,143,524	\$549,006	1.7%
Library	\$2,287,166	\$54,191	2.4%
Special	\$8,291,394	\$191,348	2.3%

# Very High Circuit Breaker

- TIF Margin is \$382,522
- Overlapping units are projected to receive \$0.79 for every \$1 of TIF Revenue

TIF Margin Example - High Circuit Breaker



# Average Circuit Breaker Environment

Boone County – Whitestown  
Town EDA, Boone Co.

- Total TIF AV \$125 million
- Total TIF Revenue \$1,833,748
- Total Impact to Units \$264,845
- TIF allowed for educational programs \$275,062

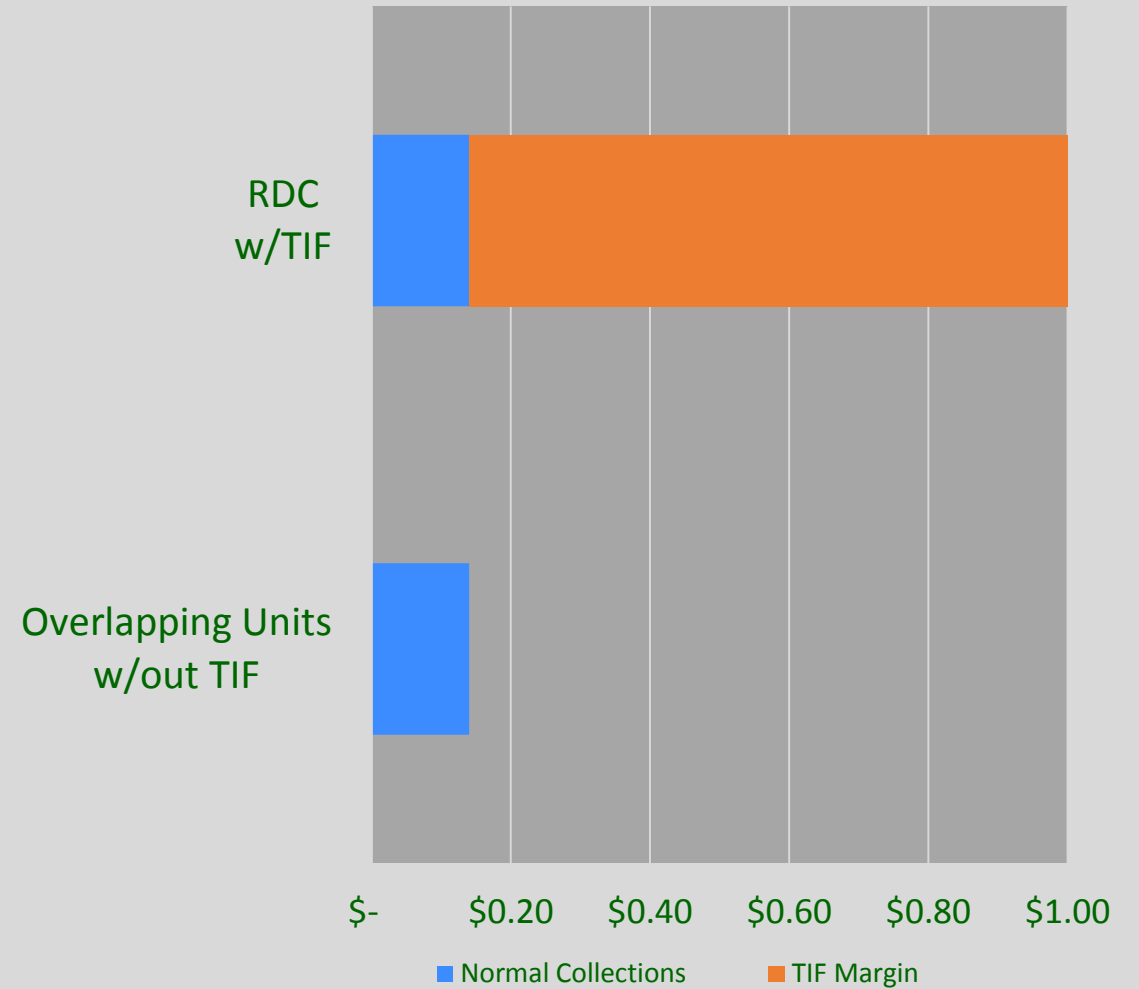
Unit Name	Budget	\$ Impact	% Impact
County	\$29,743,434	\$34,265	0.1%
Township	\$442,000	\$268	0.0%
School	\$40,278,491	\$29,461	0.0%
Town	\$13,761,485	\$200,851	1.5%
Library	N/A	N/A	N/A
Special	N/A	N/A	N/A



# Average Circuit Breaker

- TIF Margin is \$1,568,903
- Overlapping units are projected to receive \$0.14 for every \$1 of TIF revenue

TIF Margin Example - Medium Circuit Breaker



# Very Low Circuit Breaker Environment

Jasper County – Carpenter Twp.  
EDA, Jasper Co.

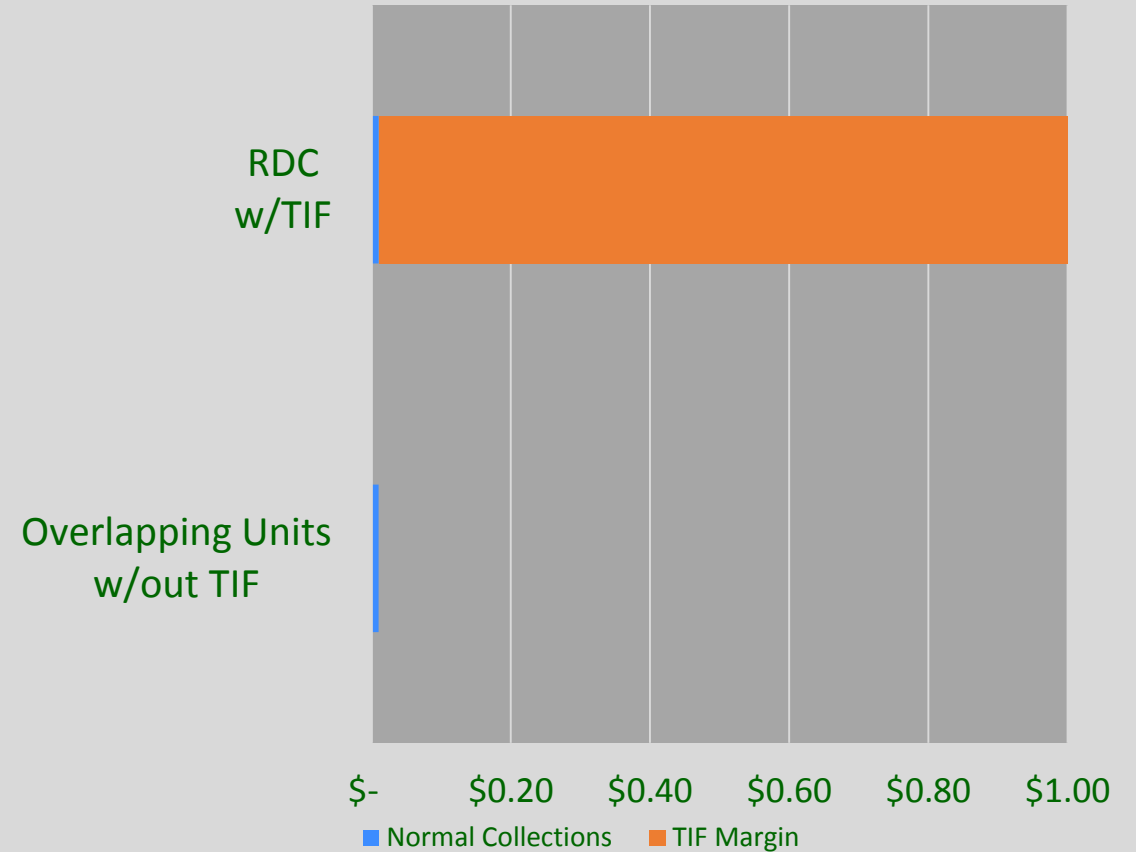
- Total TIF AV \$60.8 million
- Total TIF Revenue \$496,060
- Total Impact to Units \$1,454
- TIF allowed for educational programs \$74,409

Unit Name	Budget	\$ Impact	% Impact
<b>County</b>	<b>\$21,651,829</b>	<b>\$12,835</b>	<b>0.0%</b>
<b>Township</b>	<b>\$448,490</b>	<b>\$0</b>	<b>0.0%</b>
<b>School</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>City</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Library</b>	<b>\$205,110</b>	<b>\$0</b>	<b>0.0%</b>
<b>Special</b>	<b>\$298,857</b>	<b>\$0</b>	<b>0.0%</b>

# Very Low Circuit Breaker

- TIF Margin is \$494,606
- Overlapping units are projected to receive \$0.003 for every \$1 of TIF revenue

TIF Margin Example - Low Circuit Breaker



# What's Next?

## Projected TIF Impact in 20 years

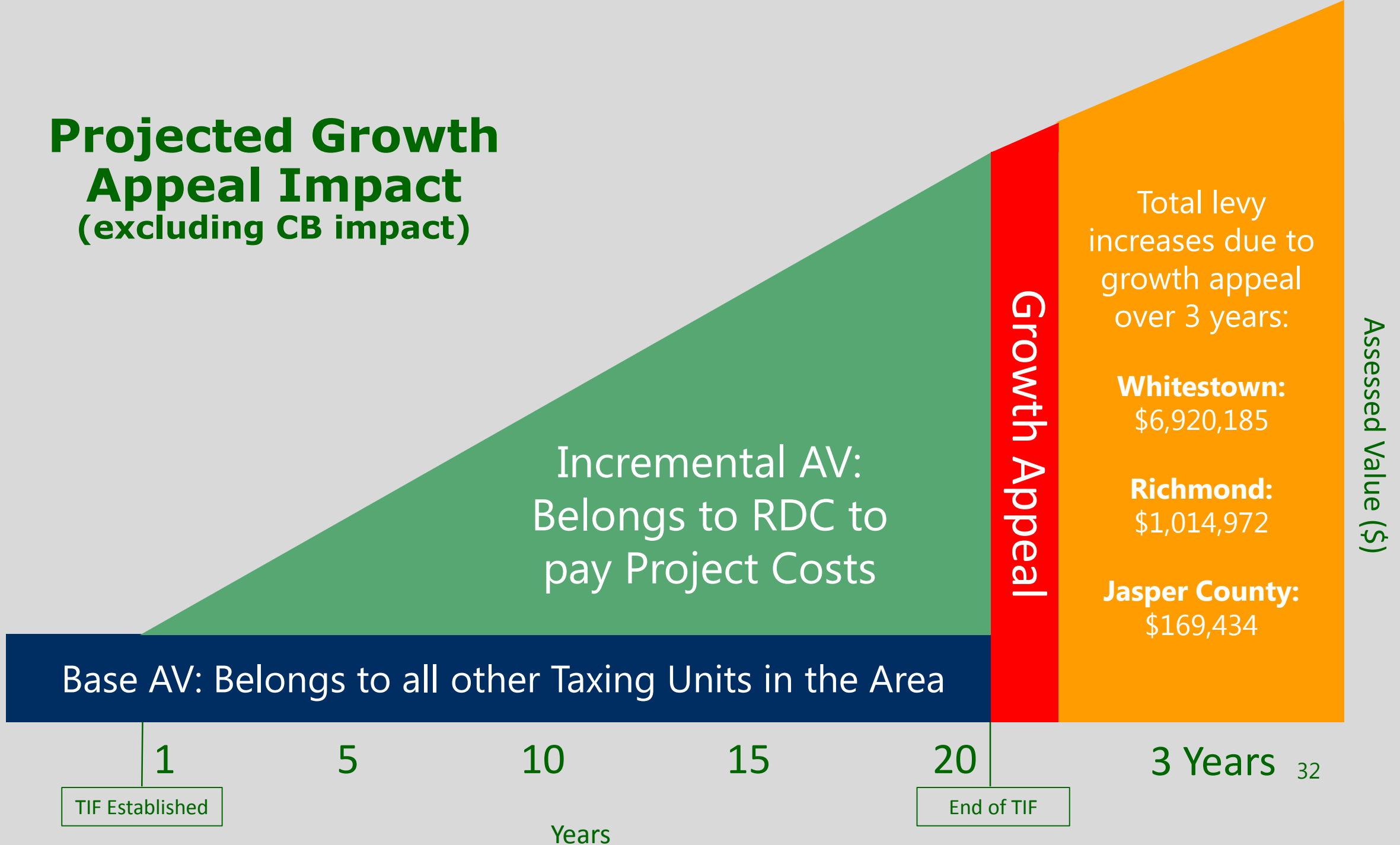
- As time progresses, AV growth throughout communities will become stagnant
- A municipality has two options for the release of TIF into the base
  - Increase from TIF AV directly decreases the tax rate (as represented on slide 31), or
  - Due to the increase in TIF AV to the base, the municipality may qualify for a growth appeal (as represented on slide 32)

# Projected Tax Rate Impact

	Projected rates with TIF	Projected rates with Full Release of TIF AV	% Change in rates over TIF	Release of TIF AV with Growth Appeal	% Change in rates over TIF
Boone	\$ 1.3525	\$ 0.9537	-29.5%	\$ 1.0818	-20.0%
Wayne	\$ 1.7262	\$ 1.6498	-4.4%	\$ 1.6615	-3.8%
Jasper	\$ 0.3433	\$ 0.3326	-3.1%	\$ 0.3336	-2.8%

\*projected NAV in 20 years at 2.5% growth and 3.4% maximum levy growth quotient

# Projected Growth Appeal Impact (excluding CB impact)





# Legal Citations

- General Redevelopment Statute: IC 36-7-14
- Supplemental Redevelopment Statute: IC 36-7-25
- General TIF Provisions: IC 36-7-14-39
- Personal Property TIF: IC 36-7-14-39.3
- Base assessed value determination: IC 36-7-14-39(a)
- TIF expiration dates: IC 36-7-14-39(b)
- Permitted uses of TIF: 36-7-14-39(b)(3)
- TIF pass-through requirements: IC 36-7-14-39(b)(4)
- TIF neutralization requirements: IC 36-7-14-39(h)
- Use of TIF for education/workforce development: IC 36-7-25-7
- Excess maximum levy appeal: IC 6-1.1-18.5-12



**Questions?**



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